



The Best Survival Strategy in Hospitality is the Proactive Strategy

| by Max Starkov and Laila Rach

What can hoteliers do in the wake of the terrorist attacks to combat the downturn in the economy and falling consumer confidence in the travel experience? Smith Travel Research forecasts full-year 2001 U.S. hotel occupancy at 60.7%, down 4.7 percent from last year. RevPAR for the year is expected to be down 4.3 percent and ADR to be at 2000 level or lower. PricewaterhouseCoopers categorizes this as "the worst performance in 33 years".

For hoteliers, the ripple effects of the recent incident, the recessionary economy and the ongoing military strikes mean finding ways to deal with sharply lower occupancy rates and RevPARs, and constrained marketing budgets. But identifying what action to take and planning how to rapidly address the changing realities raises a multitude of questions.

Will the usual belt-tightening measures, as in any crisis situation, and sticking to traditional marketing channels be enough? If everyone else is adopting reactive measures, such as layoffs, cost cutting and price dropping, what should hoteliers do to rise above the competition? What strategy will provide smart hoteliers with a competitive advantage even in this adverse situation?

We believe that hoteliers should adopt, with utmost urgency, a proactive strategy that includes consistent efforts to differentiate from the competition and embrace co-opetition, joint marketing initiatives and eDistribution. A proactive strategy will not only soften the impact of the current crisis, but also allow hoteliers gain market share faster and cheaper.

It is obvious that hoteliers should continue to utilize all traditional marketing channels at their disposal. But what is not obvious is what hoteliers should do beyond the norm. While no one can provide an inexhaustible list, we have outlined several practical considerations for hoteliers, which do not exhaust all that could be done in these trying times. We believe that these action steps can help hoteliers cope with the situation and formulate their survival strategies:

Stand Out from the Competition

Sound familiar? Everyone knows: in the world of commoditized travel products and with recent price reductions across the board, you have to find distinctive ways to stand out from the competition. Being different from your competitors requires a comprehensive approach, out-of-the-box thinking, concerted efforts and innovative marketing. Here are some suggestions:

Unique products at unique prices

Don't just discount your prices. Offer unique products and innovative pricing instead. This is the new marketing approach in town, the only winning strategy today. Turn your sales people into mini-tour operators. Have them sell packages not just rooms. Offer packages that combine your product (rooms) with your knowledge of the destination (e.g. "A Night on Broadway Package", "NYC You've Never Seen Before", "America Loves New York", etc).

Focus on Your Drive-In Traffic

Think regional--focus on your drive-in traffic, on your "neighborhood" markets, on those in the 200-mile radius area that could become your "feeder" markets. Offer reimbursements of gas receipts to your guests. Offer special weekend, culinary and family packages. Package your hotel with theaters, museums, concerts and sports events (e.g. "A Day at the Met" package). Offer Web-only, inexpensive packages that require full prepayment and are not refundable (e.g. WebRates by Wyndham Hotels).

Work With Your Corporate Clients

Stay in constant touch with your important corporate customers. Offer them a "Travel Stimulus Package" that includes relaxed contract terms (e.g. reduced minimum room night requirements); offer them free room nights through the end of 2001 (e.g. 10 for 7), free upgrades, special perks and incentives: free breakfast, gym, massage, use of business center

services. Extend the government and military per diem rates to include all available rooms. Develop special "Bring Your Spouse Along" programs to lure business travelers extend their stay over the weekend by offering free second weekend room night, free candlelight dinner, etc.

Work with Your Meeting Organizers

Your main goal should be to convince your clients to hold their meetings as scheduled. Offer them a special stimulus package: free conference rooms, free stays for spouses, free Broadway performance, etc. Provide incentives to the meeting organizers, in the worst scenario to postpone, not cancel their meetings.

Work with Your Tour Operators

Embrace your tour operators and wholesalers. They are suffering immensely. Reward them for developing ad-hoc packages for the next six-month period. Reward them for including your hotel in their special packages and programs, subsidize their promotional efforts: HTML newsletters, leaflets and flyers, direct e-mail, mail and fax campaigns.

Work with Your Travel Agents

Work with travel agents- now more than ever they need to sell non-air products, especially after the recent commission cuts. Offer them an incentive if they book via your website's booking engine (extra 1%-2% commission). Send them your special packages and reward them if they actively promote and sell your packages (e.g. 5 packages for the price of 4, every 10th room night booked free, etc).

Co-opetition and Joint Marketing Initiatives

Think your own industry - become everybody's partner. Recognize that you are all in this together. The combination of an economic downturn and the terrorist attack has created problems for everyone. All other travel suppliers, providers and intermediaries from your city, state, region and area are being affected by the current situation at least as much as you are. Therefore developing joint marketing initiatives with other local travel players makes excellent sense, especially now.

Remember, your worst enemy today is not you competitor across the street, but all those empty rooms, unfilled seats, unused tickets, and unsold packages. Co-opetition is the right strategy in these difficult times. There has never been a better time to work together. Packages like "Unforgettable Night on Broadway" offered by Broadway hotels or "Friday Night Champagne Crawl" promoted by Midtown hotels are good examples of such co-opetitive initiatives.

Most importantly, these initiatives offer shared costs and shared benefits among the participants. These joint marketing initiatives could take the form of industry-wide, state-wide, city-wide and destination-wide efforts and use direct mail, fax broadcasts and precision e-mail marketing, as well as print, TV, radio and other media channels.

Work with Other Travel Players

Hoteliers can develop joint product offerings and marketing with other travel players, such as air + hotel city packages (e.g. JetBlue and Hilton, Continental and Sheraton), car + hotel (Avis and Ramada), rail +hotel (Amtrak and Hyatt), theater + hotel (Disney Broadway performance and Marriott), etc.

Tour operators, incoming operators and travel agency groups can play a very important role as coordinators and packagers of various destination-focused travel services. These entities have a great deal of experience developing and selling packaged travel. Building a coalition that relies on unique strengths of each partner will result in the development of various destination-focused packages and negotiate special deals and cost-sharing arrangements with airlines, hotels, car rental companies, and rail and theater companies.

Work with Your Local CVBs and DMOs

Hoteliers can only benefit from the concerted destination marketing efforts and security assurance campaigns of these organizations. Especially now, the Convention and Visitors Bureaus (CVBs) should play a very important role in coordinating the survival efforts of their members. Demand that your CVB or DMO has a plan in place to promote your destination as safe and worth visiting and work to coordinate the joint marketing efforts of its members.

Don't overlook your responsibilities to the CVB -- maintain constant and consistent communication with your CVB and DMO. Be their best friend; offer to be part of the team to convince elected officials that their support of the industry is more necessary than ever before. Become a lobbyist for your future.

Many CVBs have initiated new marketing campaigns to encourage travel to their destinations. New York State Department of Economic Development has reinstated the popular "I Love NY" campaign with a new financial commitment of \$40 million. Hoteliers should take full advantage of these promotional efforts.

Hoteliers should make sure that their properties are bookable via the websites of their local, state and regional CVBs and private Destination Marketing Organizations (DMOs) and incoming services (e.g. Allied Tours, Kitt Barrett). For example more than half of the New York City hotels are not bookable on the CVB's website and on the NY State website (ILoveNY.com).

Embrace eDistribution

Technology can be your best ally--your eDistribution strategy can play a major role in softening the disastrous effects of the terrorist attacks and the economic slump and will, over longer-term, define the winners in these trying times.

Why eDistribution? And why right now? First of all, eDistribution is by far the lowest cost channel of distribution. Used properly it increases occupancy rates, improves the bottom line, opens new markets and attracts more affluent customers in these difficult times. Embracing eDistribution is a proactive measure as opposed to the other reactive measures available to hoteliers. eDistribution is inventory distribution that utilizes Web-based applications, eMarketing channels and tools, and online partnerships. It utilizes the Internet as its main medium and uses B2C, B2B, B2E or C2B models. Used properly, eDistribution increases occupancy rates, improves the bottom line, opens new markets and attracts more affluent customers in both good and bad times. It allows smart hoteliers to build market share faster and at a much lower cost.

Did you know? The average Internet user who buys travel online comes from a household that earns \$72,000 (Forrester Research) and can afford to travel even in the current situation, unlike those from lower-income households. Over 162 million Americans are active Internet users (Nielsen/NetRatings) and 37 million of them have already purchased travel online. All business travelers are savvy Internet users. Aren't these exactly the customers hoteliers are trying to attract?

Here are just a few questions you should consider with utmost urgency:

Your website

Do you have a real-time booking engine? Numerous studies show that savvy Internet users, most likely a substantial portion of your most valuable customers, will not book a hotel that does not offer a real-time booking on its website. And if you have a booking engine is it capable of booking in real-time transient, group, corporate rates, preferred rates, special accounts and promotional rates? Do you offer a full array of hotel packages, family packages, and weekend specials on your website? Is your website registered and positioned well on the top 400 search engines? Are you ready for the Mobile Internet and do you offer your savvy travelers a wireless booking service?

eMarketing Channels

Can your corporate clients book their preferred rates on your website or through a URL link or private label booking engine on their corporate intranets? Do you offer online real-time booking for group and convention housing inventory? Can your tour operators book their allotments and special FIT rates on your website? Do you distribute your inventory through hotel consolidators (HRN, Accommodation Express, etc)? Is your hotel bookable on the website of your local CVB or DMO and incoming operators? Do you have an affiliate program? What about an online loyalty program? Do you have a robust eMarketing strategy in place?

Maximize Returns on Your Marketing Budget

Start by re-evaluating your advertising mix. Re-allocate funds from more expensive and long-term brand-building media to more targeted and immediate-result-oriented advertising formats (e.g. precision e-mail marketing, viral marketing, customized messages).

In general, print, radio and TV advertising offer "poor interactivity, limited targetability, poor measurability, and relatively low ROIs" (Aberdeen Group). Direct mail offers better measurability and ROI, but no interactivity. Precision e-mail marketing offers up to fivefold increase in response rates and tenfold lower conversion costs than direct mail (IMT Strategies). Airlines extensively used precision e-mail marketing in their latest special offers campaigns to target specific market segments with unparalleled accuracy. Therefore adopting a robust online marketing campaign, including precision e-mail marketing, special promotion alerts, weekly e-newsletters, etc. is a way to maximize ROI and cut costs.

Amazonize your marketing - develop customized messages to generate business, i.e., if you liked your last visit you'll love this idea. Don't wait for your customer to go looking for something to do, use precision e-mail to let them know what's going on at your destination. This approach far out-distances the traditional concept of proactivity by engaging the customer in their home with real-time fully integrated trips.

Develop an Online Partnership Strategy

Hoteliers should develop a comprehensive online partnership strategy to widen their online reach and leverage on the distribution power of their partners. Partnering with non-competing services makes most sense. These partnerships enhance the brand or property online exposure and bring new business to the hotel. For example becoming the Preferred Hotel or Recommended Hotel on the website of the regional airline; developing Hotel and Air or Hotel and Rail packages that will be offered by your air or rail partners, etc. Become part of the Site59.com "America the Beautiful Series" or offer interline discounts on ID90.com.

Another direction is to partner with non-travel entities, such as becoming the Preferred Hotel of the local Bar Association and of other local trade associations and organizations. Providing the associations' websites with a private label version of the hotel booking engine, featuring special preferred rates for the members and their guests could generate significant new business. Partnering with local businesses (e.g. Chase Bank), special interest clubs and organizations (e.g. opera, theater, Broadway), non-profit organizations and charities.

Maintain Brand Trust

Every new or modified strategy must be grounded in the enduring and broad-based trust that customers have in your brand. To determine what level of brand trust your hotel company has with your current guests take this easy test - do you deliver on whatever your marketing and sales efforts promise? Is your service consistent from stay to stay? Do your traditional marketing messages leverage your brand? Do your employees actions and words support the brand and its image?

Conclusion

We do not claim to have outlined all action steps hoteliers may take in these difficult times. On the contrary, we have meant to encourage and stimulate hoteliers to find their own ingenious ways to cope with the situation and to provoke additional thoughts and actions.

About the Authors

Max Starkov is Chief eBusiness Strategist, Hospitality eBusiness Strategies in New York Cit. He advises companies in the Travel and Hospitality verticals on their eBusiness and eDistribution strategies. Max also teaches a graduate course on "Hospitality/Tourism eDistribution Systems" at New York University. You can contact Max at max@hospitalityebusiness.com

Dr. Lalia Rach is Associate Dean and Director of the New York University's Preston Robert Tisch Center for Hospitality, Tourism and Travel Administration. Lalia is a nationally recognized tourism industry leader. She serves on the boards of the Travel and Tourism Research Association (TTRA), the New York Convention & Visitors bureau and is a member of the New York City Hospitality Council.