

Hotels Can Use Barter To Fill Unsold Rooms While Marketing Their Property

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Professional sports teams the past several years have discovered what successful hoteliers have known for an even longer period of time. That is, analytics play a key role in every aspect of the business. For a Major League Baseball team, a key stat, for example, might be On-Base Plus Slugging (OPS), a sabermetric statistic calculated as the sum of a player's on-base percentage and slugging average.



In the hospitality industry, it's monetizing unsold hotel room inventory. A guest room, after all, is a hotel's largest available asset. Unsold rooms could mean millions of dollars in lost revenue to larger hotels, and for smaller hotels, the difference between staying in business or closing the doors.

In New York City, for example, *"We've got 10,000-plus rooms coming on line. Rates are flat and going lower,"* said Jody Merl, president of Innovative Travel Marketing, a hospitality media planning and buying company based in Parsippany, NJ. *"So what do you do when you have 20 percent of your rooms unoccupied?"*

One answer is to fill the rooms through the age-old process of bartering, the exchanging of goods—in this case guest rooms and possibly F&B—without using money. Bartering can be an intricate way to do business, so companies such as Merl's are essential in making sure that the hotels and their barter partners each come away satisfied.

Bartering, Merl said, is a *"strategic marketing tool"* that creates relationships and builds demand among target markets, while preserving the value of product. It's a better way to monetize unsold rooms, she said, than farming them out to online travel agencies, particularly for hotels with limited advertising budgets.

"An OTA can take up to 30 percent of an already discounted room," said Merl. *"Based on the annual average of unsold rooms, a hotel can put together an advertising and marketing strategy that includes barter to monetize unsold rooms."*

By trading 1 percent of potential room revenue on an annual basis, Merl said, a hotel can achieve a substantial budget to exchange for marketing goods and services. *"For example, a 200-room hotel with an average rate of \$300 per night can achieve over \$200,000 of barter credit by using just 1 percent of their potential room revenue."*

Trade can be used to fund such things as advertising promotions, video production, merchandise and accommodations for sales calls that results in future revenue.

“Barter is an advantage any time you use available inventory and receive full value towards services for which you would normally pay cash,” said Merl. *“Barter affords the opportunity not to discount, or lose a sale, while increasing profit.”*

For her single-brand luxury hotel, Elaine Morena, director of sales and marketing at The Surrey Hotel in Manhattan, said barter helps her be more creative with her available resources.

“We’re able to get exposure in media outlets through a combination of cash, credit aid and barter,” said Morena. *“In the case of barter, I’m able to produce guest rooms that might sit unused. The people who stay with us tend to be editors, journalists and top advertisers.”*

“So we’re getting exposure from an advertising standpoint to leisure guests but also to key media. That allows us to budget what we have and gain the exposure that is necessary.”

At The Lodge at Woodloch in Hawley, PA, director of marketing Brooke Jennings works with Merl on her overall advertising strategies, which include barter.

“We can often get more from media companies than if we were negotiating on our own—the ad buy is bigger through our partnership [with a hotel barter specialist] than we could ever dream of procuring on our own,” said Jennings.

“Our plan includes larger national pubs that we would not normally have in our budget, where perhaps we’re willing to spend 60 percent on barter and 40 percent on cash. So the barter credit we give Jody (ITM) expands our buy and presents a win-win.”

On the flip side, Catherine Cumings, marketing director of Pelican Grand Beach Resort in Fort Lauderdale, FL, prefers direct barter versus barter.

“I instead prefer to use the personal relationships that I have with many of the editors of top luxury magazines and will offer a trade agreement only for publications that I really want to be featured in,” said Cumings. *“So even if say their request falls over a holiday, I will still offer a trade for the right publication, as I know I will in return get premier placement of a full page or two in a key month.”*

“Only with hand-picked publications, can I ensure that the suite extended—and sometimes food and beverage—has a solid marketing return with future room nights, spa visits and dining for the resort. So for me, it is all about the personal relationship and seeing publications as true marketing partners,” she added.

The bottom line, said Merl, for hoteliers, is how to monetize unused rooms without discounting and possibly ruining a property’s reputation. *“You make money from (barter) because if you trade it, you’re going to get desirable advertising exposure and receive incremental revenue from people staying at your hotel,”* she concluded.