

Hotel Business Review

How Do Hotel Sales & Marketing Directors Fill Those Last Available Rooms?

Maximizing a Perishable Product

By [Leora Halpern Lanz](#), President, LHL Communications

Co-authored by Jovanna Fazzini, Senior at Boston University's School of Hospitality

Hoteliers, marketing directors, and revenue managers in particular are continuously learning how to put the pieces of the puzzle together when it comes to creative and effective options for selling out room nights. Numerous challenges arise with the plethora of new distribution technology, which complicate the process of directly reaching the guest, or even controlling a hotel's presence on the variety of brand and third party websites.

The Director of Sales and Marketing at The Langham Boston, Rachelle Boudreau, emphasized this challenge. "It is difficult to be aware of the various distribution channels, as so many are changing daily and being bought by other companies. These distribution partners are then taking the inventory and selling it online through other third parties. Additionally, some tour wholesalers try to re-sell the inventory through other online travel operators in other countries, who, in turn, will place inventory on a B2B (business to business) and B2C (to consumer) websites, which can ultimately diminish the hotel's rate parity."

Knowing how confusing the digital marketing and distribution landscape can be, how do hotels manage their options to sell inventory, particularly at that eleventh hour?

Contrary to Popular Belief, It's Not All About the OTA'S:

According to Steve Ehrhardt, 2016 Chairman of the IHG Owners Association, and owner/operator of Missouri-based Ehrhardt properties, it is not necessary to utilize OTAs as a long-term booking method in tertiary markets if the hotelier has the right data.

"OTAs are most useful for last minute inventory sales. If they are overused or rooms are discounted too severely the brand risks damage and hoteliers leave money on the table," explains Ehrhardt. "The one thing you can count on is that patterns repeat themselves." Ehrhardt advises that one should know 'the playbook' by looking at historical data, trends, market events, and groups. "The use of revenue management data is an art and a science," Ehrhardt continues. "It's looking at what is best for your market at that time using intuition, and knowing the 'drill' for that time of year using history to maximize revenue. With an effective revenue management strategy and identification of patterns, hoteliers can prevent having to sell inventory last minute, thus avoiding OTAs and their commission fees."

Stephen Field, President of Philadelphia-based Synergy Hospitality, advises that when operating "in primary markets, such as Philadelphia, strategy varies less by exact geographic location, and more by the length of the booking window. For example, airport hotels may have an extremely short booking window, due to flight schedule changes caused by bad weather. Taking this into account, a strategy that places an overdependence on OTAs in these types of markets may displace higher rated last minute bookings."

Field also notes that dependence on OTAs differs with independent versus franchised hotels. "All hotels should minimize OTA use unless there is real distressed inventory in a short-term situation. The challenge with these channels is that they are extremely price sensitive and commoditize guest room inventory. There are too many hotels that rely on OTAs as the sales effort of least resistance, instead of investing in an exceptional sales team. These hotels avoid hiring good salespeople and simply put rooms on the Internet. They think they are saving \$50,000-\$60,000 in labor costs; failing to realize that one good salesperson can generate many times their salary in incremental business."

Synergy Hospitality prefers to utilize a longer-term sales strategy that is focused on hiring an effective sales team that will build relationships with travel managers, the Convention and Visitors Bureau, local event planners, and corporations. Using this strategy, the sales team generates relationship-based brand exposure. This strategy is based on the assumption that the best solution to distressed inventory is to minimize the amount of it through the use of an effective sales strategy, according to Field.

There are also various platforms and distribution channels emerging as alternatives to OTAs:

Barter

Barter offers hotels a lucrative, dual-purpose business strategy - a financial tool that monetizes unsold inventory, while transforming that monetized inventory into marketing buying power. Innovative Travel Marketing (ITM) of Parsippany, New Jersey, uses barter to fund advertising campaigns and increase brand awareness thereby maximizing a hotels' occupancy and average rate. The traded room inventory can generate corporate and leisure guests who are direct consumers; they are not customers from OTAs who are typically more price-sensitive and less likely to produce ancillary revenue.

Jody Merl, founder and President of ITM, explains that, "You can never recover the cost of an unsold room. It's leaving money on the table. Hotels can convert their unsold rooms into significant equity. By using the full value of those rooms via barter, rather than discounting, we help hotels establish and grow a more desirable customer base."

Merl explains, "Once we determine the available inventory, we create a plan to enhance brand presence and recognition in the marketplace and/or devise tactical initiatives focused on target audiences. For instance, we can use the market value of 20 unsold rooms to run a targeted media campaign to reach meeting planners, which in turn, results in a \$50,000 event space rental and additional food and beverage revenue."

Merl explains that when a trade arrangement is set, the hotel's inventory is made available and utilized by ITM's corporate media clients, who bring high-level executives to the hotel. The rooms are ultimately booked for senior-level and c-suite leadership and executives with magazines, publishing houses, broadcast companies and individual television stations, or corporate trading partners. These guests spend money in the hotel, spread positive word of mouth, and potentially return as cash guests. Merl said, "the benefits are further multiplied when you contrast the barter-produced end user with the OTA-sourced guest, who is often a discount shopper seeking the lowest price point."

Bartering can also be used as part of the hotel's long-term sales strategy, particularly in anticipation of known occupancy patterns, to address opportunities, dates, and time frames or to create annual brand campaigns tailored to hotels' specific needs.

"For example," shares Merl, "assume a 200-room hotel averages 50% occupancy in May, with an average daily rate of \$200. The other 50% of rooms, which do not sell, amount to \$20,000 in unsold rooms. If the hotel trades with ITM, it receives a \$20,000 ITM advertising budget. The hotel has now monetized empty rooms to pay for media and draw 'profitable' guests." Barter can also be leveraged to monetize unused meeting, banquet and event space, and hotel recreational areas such as a golf course. Whenever a hotel has unsold inventory, it can optimize its equity through barter to:

- Support the sales effort with a cohesive advertising campaign;
- Impact low season business and gap periods with a tactical campaign
- Launch new products;
- Test new markets;
- Test new media.

Flash Sales

Often overlooked in favor of OTAs, flash sales can target the luxury guest. According to Amy Finsilver, General Manager of XV Beacon Hotel in Boston, using sites like Jetsetter and Gilt are beneficial in targeting guests who are more likely to contribute to ancillary revenue.

"If you have a contact at, for example, Gilt, the contact will tell the hotelier when there is availability to post a flash sale. The hotelier then sees if Gilt's time of desired promotion matches the hotel's needs. If it is November, and the hotel notices it is pacing behind for January, the hotel can contact the Gilt promoter, who will notify the hotel if there is an opening. If there is an opening, the hotel will give the site a specific number of rooms with a value-added package, which is then included in Gilt's upcoming promotion."

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