

START UP

Trade Bait

HOTELS CAN MAXIMIZE THE VALUE OF UNSOLD ROOMS **BY MARK ROWH**

THE EMPTY HOTEL ROOM IS A FACT OF LIFE. On a given night, that might not seem like a significant problem. But when considered over time, a different picture emerges. According to some estimates, 15,000 hotel rooms remain unsold each night in New York City alone, equating to over 5 million empty rooms each year and lost revenues of more than \$1 billion. While the scope may be less in other parts of the country, the situation remains a challenge across the industry.

Taking a creative approach to the problem, some experts advocate monetizing rooms via trade. This



cash-saving strategy offers the potential to fortify brand, rate, and profitability, says Sean Hennessey, chief executive officer of Lodging Advisors in New York. Hotels can greatly benefit from the effective use of barter, particularly since it benefits cash flow.

“Many customers who use opaque and other third-party, last-minute channels are rate sensitive and their travel is discretionary,” he says. “Barter represents a great way to attract customers with the profile that many upscale hotels crave: frequent travelers with less price sensitivity.”

Hennessey believes the hotel industry is ready to shift from simply monetizing unsold room inventory to maximizing its value. High-end hotels in particular are looking for ways to maximize the long-term value of their customers, he notes. Investing resources to attract affluent guests makes sense because they represent repeat business that’s higher rated with a higher spend, versus the discount customer who’s less loyal to a property.

“Monetizing unsold hotel room inventory is the largest available asset for management and ownership at many properties to drive additional profitability, demand, and brand awareness,” he says. “The perishable nature of hotel rooms makes them well suited to being monetized, so it should be considered in every case.”

Unlike the practice of dumping inventory into online travel agencies, monetizing unsold rooms may enhance a property’s market mix by reaching higher-revenue-producing, long-term customers, says Jody Merl, president of New Jersey-based Innovative Travel Marketing.

“Savvy hotel executives are using the value of their room inventory to augment their buying power; they monetize their unsold rooms as currency to fund marketing programs and campaigns, and in the process, they differentiate their brand and, therefore, increase profit from desirable guests,” she says, adding that barter is one of the most innovative financial tools available and a mainstay in the corporate world, beyond the hotel industry.

“Unsold hotel rooms can be exchanged to fund valuable marketing tools such as consumer advertising,” she says. “Plus, the hotel benefits from the end users who ultimately bring new business, drive revenue, and increase occupancy for the hotel company.”

In addition, trading rooms can bring expanded marketing budgets to reach travelers for leisure, corporate, and group business. Trade may be used to fund promotions, video production, merchandise, client incentives, and even accommodations for sales calls, ultimately enhancing revenue and preserving cash (see “Tricks of the Trade”).

“Barter will become a mandatory course in hotel marketing, and it will become much more prevalent because cash is king,” she says. Merl predicts that independent lifestyle/boutique hotels will increasingly use the strategy of monetizing unsold rooms to gain market share from the big brands and chains.

Hennessey agrees. “I anticipate that hoteliers will focus on maximizing the long-term value of customer relationships, rather than simply ensuring that some value is generated by unsold rooms,” he says. “Barter is likely to be a key part of this strategy.”

TRICKS OF THE TRADE

HERE ARE SOME POTENTIAL WAYS THAT TRADING ROOMS CAN RESULT IN EXPANDED MARKETING BUDGETS:

- *Free and low-cost links*, such as enhanced company TripAdvisor listings, to maximize visits to hotel websites
- Presence on *film and video* production sites
- *Sweepstakes* and broadcast promotions
- *Subsidized production* of low-cost video, TV commercials, and photography
- Generation of sales *without a sales staff and marketing without a budget* to reach global travel agents via trade (resulting in significant bookings, increased room rates, and higher ranking in competitive set)
- *Vertical marketing* to target corporate travel and HR managers via trade advertising and generate ancillary editorial coverage in business travel publications