

To the uninitiated, creating significant value from an empty hotel room might seem counterintuitive. After all, how does a hotelier create something from nothing?

Jody Merl, founder and president of Innovative Travel Marketing (ITM), will tell you each of those unsold guest rooms represents cash-free buying power.

“While lost revenue resulting from unoccupied room nights can never be recovered, bartering their value allows hotels to fund or expand their marketing budgets, by using unsold inventory in exchange for advertising placements or other services,” says Merl, who founded ITM in 1992 as a media planning and buying company for the hospitality and travel sector using barter as a financial tool.



According to Merl, this is more than a clever transaction—it’s a strategic marketing and financial tool that empowers hotels four-fold. Trading rooms bolsters awareness and demand among target markets, achieves higher occupancy with the prospect of repeat business, and increases profit from cash-flow savings, incremental revenue and reduced marketing expenses.

Merl defines “barter” as a hotelier—regardless of the size of his or her property—taking unsold rooms and creating a financial advantage for that property. Using perishable room inventory to finance and expand marketing budgets, according to Merl, is powerful and fiduciarily responsible—a way to creatively fund targeted campaigns while preserving cash.

“It is using available inventory to create working capital to fund advertising—or any kind of promotions—that would maximize the values of the owners’ assets. Barter will help you achieve that goal because people have limited budgets,” she said.

When a barter line is added to the budget, Merl says, it’s very simple: the debit and credit of rooms at full value offset the transaction. Barter advertising, and the use of rooms valued at full rate on a dollar-for-dollar basis, enhances occupancy and rate. The bartered revenue from the end users of the barter credit, as well as increased sales generated by the advertising campaign, offset room cost and increased profit.

“Wouldn’t you rather use an empty room to pay for something, instead of writing a check?” said Merl. “Barter always works if you do something consistently, it’s proven to be effective, no question. You as the client have a golden, cash-preserving opportunity, to leverage the value of your rooms and exchange them for goods and services to perhaps launch a new hotel, reposition an existing property, or to debut a test product in a new market.”

A small percentage of unsold inventory, Merl says, can be used to fund a significant advertising campaign. For example, by trading only 1 percent of its room inventory, a 200-room hotel with an ADR (average daily rate) of \$300 can achieve an advertising credit of more than \$200,000.



“Your empty rooms are your bank,” she says.

Despite today’s numbers that show record occupancy rates in a post-pandemic world, now more than ever, Merl says, barter is a logical alternative to dumping inventory in lower-rate OTAs, which compromise brand equity. Hoteliers, Merl says, should not discard the full value of “rooms-based working capital” by losing it to third-party booking engines.

“There is pent-up demand at luxury resorts. But even at 80 percent (occupancy) on weekends, you lose \$4 to \$5 million per year. You need to do something about long-term strategies. You have to be prepared for the future,” she said.

Luxury lifestyle hotels, such as The Breakers Palm Beach, The Peninsula Beverly Hills and Ian Schrager Hotels, have each worked with Merl and ITM to fuel their media and marketing buying with incredibly successful media plans.

One of those keys to success, Merl says, is going after a target audience that is not a discount shopper, and transitioning from dependence on OTAs and their rate-driven consumers.

“Market directly to a customer in your feeder market with consistent messaging. It’s that consistent messaging that’s going to reach high-level customers and not discount shoppers. Give them good service, of course, but you need consistent branding and marketing if your product is going to appeal to the right audience. If you can’t create ways to separate yourself from the fray, then you are nowhere,” said Merl.

Focus directly on a specific audience with a brand message, Merl says. “That becomes your base and supports everything that is important in a hotel.

“Barter affords the funds to ensure you’re concentrating on the meat and potatoes to support sales, tactically, and it gives a halo effect in supporting public relations and social media with brand awareness. You can market vertically and stand out in a crowd. Whether you’re a mid-level hotel or a five-star property, they know you mean business,” she concluded.