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INDUSTRY NEWS

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25 April 2014

# Changing With the Times: The Need for Hotel Marketing and Revenue Management to Converge

By Fabian Bartnick

With all the negative reporting around economic recoveries running out of steam, it is pleasing news indeed for hoteliers around the world that travellers, both business and leisure, are spending more money than ever before and the biggest chunk of their money goes toward booking accommodation. In 2012, \$162.4 billion was spent on travel world-wide, compared to \$145 billion in 2011, and 39% of spending was on hotels, compared to 37% on flights. Yet with increasing levels of competition, more hotels than ever before are vying for a slice of the same traveller spending pie, forcing hoteliers to rethink and fight harder to capture the attention of potential customers and retain existing guests.



We are currently in a digital age. The proliferation of new technologies and the uptake of them by guests is changing the booking landscape so quickly that even technological adept hospitality managers can find it difficult to keep up. The biggest change in recent years has been the rise and heightening reliance on mobile devices such as smartphones and tablets, as well as the social media apps offered on these devices, which are available at any time in any location. The transformation in the use of technology is also turning traditional sales, marketing and revenue management on its head and demanding a more holistic approach to how hotels run their business and interact with consumers.

## New and Evolving Trends in How Travelers Book Hotels

Remember the days when the only option for your hotel guests was to either ring your property directly or be booked into your hotel via a travel agent? Offering this style of booking travel is still vital in meeting the needs of all travellers across all generations, some of whom still like to be able to contact hotels by phone to ask questions or meet face-to-face with a travel agent to book their travel. However, a large segment of the travel population sees this as an old-fashioned way of the past, with these tech-savvy travellers ditching tradition, and its middleman travel agent, in favour of taking charge of things themselves. They have fully embraced the ease of using their mobile device and online apps to research third party unadulterated actual guest reviews, compare hotel rates across multiple channels and book their own travels wherever and whenever it suits them.

The gusto in which many travellers are getting behind the new trend of booking their own adventures online is reflected in statistics that show 148.3 million travel bookings, 57% of all travel reservations are made on the Internet. And the most telling numbers of all for hotel operators is the fact that 65% of same-day hotel reservations are made from a smartphone, 81% of travellers find user reviews important and 49% of travellers won't book a hotel without reviews.

## Hotels Need to Play Catch Up, Fast

The numbers clearly show that the new patterns in which people are researching and booking hotels isn't creeping into traveller populations slowly. They are already well embedded and hotel operators are currently behind the eight ball. They need to play

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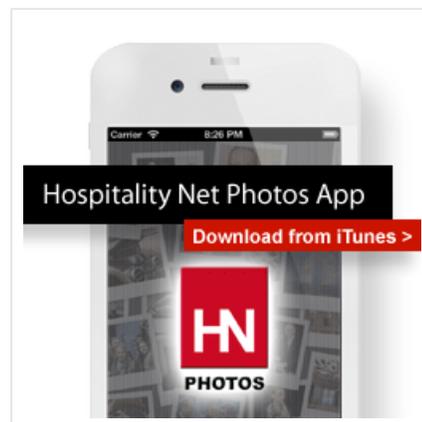


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catch up with their consumers, who are now more than ever before driving the hotel booking environment.

As booking patterns continue to evolve, it is mandatory that hotel operators move towards an overall convergence of disciplines that defies traditional sales, marketing and revenue management structures and challenges traditional thinking. Today's hoteliers must take a holistic approach to generating demand, digital distribution and revenue optimization in order to not just survive, but to thrive.

Most hotels have made attempts to integrate revenue management and marketing teams but only to the point where they meet regularly. However, this barely touches on what is needed in response to the new environment. Hotels need to put in place processes that maintain the unique purpose of these teams, while also ensuring they are working as one toward the same overall business plan.

A hotel marketing team is charged with the task of connecting directly with consumers to generate demand, whereas the revenue management team controls demand through profitable pricing strategies. By joining forces, these two teams can complement each other. For instance revenue management will be able to pinpoint areas of priority for demand generation, while marketing is well placed to know which customers they need to communicate with to fill the void. By examining each team's strengths and how they can be synchronised to help each other, hotels can more proactively and accurately target the right types of hotel guests and boost their profits.

Hotels that have already integrated the work of their marketing and revenue management departments have benefited from revenue increases of more than 6%, increased market share and increased demand for shoulder and low-demand periods.

### One Hotel, One Centralized View

A vital component of combining marketing and revenue management is to bridge the arms of a hotel's operations and systems to offer a more integrated, relevant approach to information. Rather than trading information in hard copy documents at weekly or monthly meetings, it is important that both marketers and revenue managers can access any information that might prove helpful, at any point in time.

Real-time, online collaboration ensures all marketing and revenue management decisions around attracting the right guest at the right price, are in synch with the data and analytics across both teams. Essentially this allows a breaking down of barriers between the two teams so that communication and joint work is made with ease and supportive of the overall business plan.

### Overhauling Workplace Culture

Many hotels are aware of the benefit of marketing and revenue management working hand-in-hand, but the bigger challenge is overcoming the traditional mindset of marketing and revenue managers viewing themselves as distinct from each other. Hotel management questions how they can change this so that working together moves beyond an idea to a tangible and profitable business strategy. As such, this can prove even more pressing a priority than technology or process changes in achieving an eventual financial return from convergence.

### Convergence in Practice

A perfect example of how marketing and revenue management teams can pair up for the mutual benefit of both teams and the hotel as a whole in the new era of booking habits is through social media. Many hotels merely see social media as simply a platform where guests now complain about their services or property, and they in turn respond by attempting to rectify what caused the negative review.

But the impact of social media sentiment on a hotel's approach to attracting guests has so much more to offer. Recent research has shown that reviews and price are the most important influencers of choice, and that lower price or higher ratings do not overcome the impact of negative reviews. Other research has shown that if a hotel can increase their aggregate user ratings by one point (e.g. 3.3 to 4.3), they could increase their price by 11.2 percent before impacting occupancy. This is a huge area of potential for hotel marketing and revenue management teams to jointly explore. For instance, if the marketing team is responsible for keeping abreast of and analysing what social media sentiment exists for the hotel, revenue management can use this analysis to understand how it is affecting demand and how pricing might be adjusted in response to this. Similarly, there is also potential for revenue management to go beyond relying on only studying competitor hotel rates when shaping their own. They might work with the marketing team to monitor the social media standing of their competitors compared to their own so that can also inform pricing.

And then there is the question of how marketing teams can interact with potential guests through social media. As previously mentioned, revenue management teams are best placed to identify gaps in demand. In the new booking landscape, they could team up with marketing to investigate which online forums their guests commonly use – such as Facebook, Twitter, email or TripAdvisor – so that when gaps in demand arise, revenue management can alert marketing to quickly target those channels with personalised marketing messages.

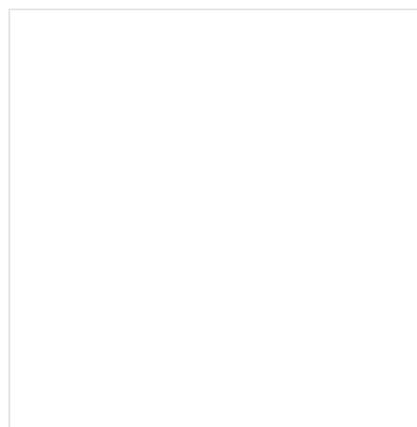
These social media platforms also offer huge opportunities for marketing to gather and store a whole host of information about guest use of social networks, personal preferences and booking habits that helps revenue management take a lot of the guess work out of pricing. It provide a wealth of information for them to take more control of whether to alter pricing for particular channels, guests, times of year and much more. It also informs marketing on the best marketing message to feed their potential guests via social media. Do they interact more with calls to action around last minute booking discounts on Facebook, Twitter or through direct mail. Like or follow a hotel on Facebook or Twitter to go in the running for a prize? Check in, upload photos or post positive reviews of a hotel on Facebook or TripAdvisor to win an upgrade or extra services while staying at the hotel? The opportunities are endless.

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These are just a few of the options and there is much more room for marketers and revenue managers to take working together to a new level to better meet their mutual goal of raising hotel profits. While removing the boundaries between these previously separate business areas may not happen overnight, by putting in place a long-term commitment to combining efforts, the teams and hotel will see significant improvements in being able to attract the right guest at the right price.

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Fabian Bartnick is the Senior Hospitality Consultant at IDEaS – A SAS Company. As the Senior Hospitality Consultant, Asia Pacific, Fabian is responsible for delivering consulting projects for the hotel industry across all of South East Asia such as Australia, Singapore, Malaysia and India. His work also includes regional development of hospitality consulting, mentoring, strategic product development and specialist revenue consulting. Mr. Bartnick started his hotel career at Accor in Washington DC as a Management graduate in Front Office Operations after studying Hotel and Tourism Management in Switzerland and Australia. Fabian then furthered his hotel experience in various operational roles in the UK.

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