Marketing

by Dustin T. Personius

New hotel trends: Shorter booking periods, mini-vacations, marketing partnerships, and greater reliance on leisure guests

To suggest that the ailing economy has forced significant change in the way the hospitality and tourism industry conducts business may seem an obvious statement. Hotels, airlines, attractions, and even restaurants are struggling to anticipate consumer needs while attempting to forecast and maintain profits amid a major market slowdown.

More importantly and, significantly less obvious than the "what" of the current market are the "why's" and "how's". While it is possible to trace the cause-and-effect trail of the economy and its ongoing impact on our industry back two and three years to the very beginning of the economic meltdown, such depth is not necessary for the purpose of this article.

Given the constant barrage of negativity in the media with regard to falling stock prices, unemployment figures, and uncertainty over the housing market, a more simplified review of why and how our business practices have been forced to change so quickly is more appropriate. This aids in assisting sales representatives, general managers, and all other key industry players in re-focusing efforts on the task at hand which, in many cases, is to simply keep the doors open for business and weather this crisis.

Fewer business guests

One of the most crippling aspects of the economic downturn has been the resultant decrease in business travel. Business travel has long been relied upon by hotel properties, especially in urban and corporate park areas, as a steady source of midweek revenue; often with weekend leisure room revenue acting as bonus business.

Business travel has been cut in many ways and for numerous reasons. The public perception of business travel is often characterized as corporate retreats and conferences depicted as frivolous expenses at a time when those same companies are cutting jobs and consumer services. This may spiral into large scale conventions being canceled due to an insufficient number of delegates being able to attend, etc. Essentially, the business travel world has changed so much that it can no longer be counted on to fill last-minute room inventory at high yield rates.

While companies try to cut travel costs to make up for lagging revenues by conducting conference calls and web-based presentations instead of in-person meetings, sales calls, trade shows and conventions, hoteliers' ability to accurately forecast occupancy levels and revenues has left the lodging industry in a position to rely more and more on the leisure travel customer to keep occupancy rates at a profit-sustaining level.

Shorter booking fuse

Attracting leisure and transient consumers, though, poses many of its own challenges. Just as business travel has suffered due to reduced budgets, consumers the world over are tightening their purse strings. Much of this is due to uncertainty over the security of their own jobs and whether those dollars once reserved for vacations and other discretionary purposes may now be needed to survive an employment furlough.

One of the most striking changes in consumer leisure and transient consumer behavior is the compression of the traditional leisure booking window. For years, the hotel and airline industries especially have been working to train leisure customers to book their airline tickets and hotel stays early in order to receive the best price.

With the recent instability in the leisure and business travel market, bookings that may once have been made four to six months in advance are now rolling in within 30 days; many within two weeks, and some others as short fuse as 24 hours prior to travel. Many traditional yield management principles have been shelved due to the constant shift in consumer trends.

Why the change? When airlines cannot depend on last-minute business travelers to fill empty seats at premium fares, the decision is often made to drop last-minute airfare in order to capture cash, even if at a lower fare. Of course, this is only one explanation; but one that is key, especially in markets heavily dependent on air service.

The effect on hotels is similar. When consumers are not booking in advance, revenue managers are unable to accurately forecast occupancy levels. This causes room rates to remain lower for extended periods of time allowing the consumer to take his time when pricing vacations and getaways.

Essentially what is happening is a “re-training” of the consumer. Once trained to book in advance in order to receive the best deal, consumers are now beginning to realize that there are still great offers available on hotel and air packages on a more last-minute basis. And, if a high value offer is not available when the consumer is ready to book, they have the option to simply select alternate dates or wait a week or a month until making the decision to book. Given that consumers are now taking long weekends in place of week-long vacations, there is no sense of urgency to make a purchase.

Value-added offers

Hotels can offer additional incentives and value-added offers to entice early bookings, but if the consumer doesn’t bite, hoteliers will need to decide whether maintaining the integrity of the offer is more important than compromising it to capture additional business. Many hotels have demonstrated a willingness to discount room rates to drive up occupancy. Others, such as the Four Seasons Manhattan, have vowed to maintain rate integrity at pre-recession levels; even if it means a significant drop in occupancy.

Yet an additional challenge is the reduction by airlines of capacity into many major business, convention and leisure destinations. This, coupled with an already distressed and burdened economy, creates a situation where the available market is reduced; thus, hotel properties are forced to shift existing market share from other properties in order to maintain occupancy levels and profitability.

New marketing tactics

This requirement for market share shift has resulted in a need for new and dynamic marketing tactics to be created in order to add enough value in the consumer’s mind to warrant: one, causing the consumer to purchase travel; and two, create the best odds that the consumer will choose one property over another.

The problems facing the travel industry are many, and once the economy has recovered, there is no doubt that a significant amount of market research will be conducted so that we are much better prepared for this sort of downturn when and if it happens again. In the meantime, hotels need to focus on what types of tactics they can utilize to help their properties persevere.

Marketing tactics in the current economy are different than before the recession in the sense that they must:

1. Have the ability to be put into place rather quickly.
2. Be increasingly focused on yielding the highest return for the marketing expense invested.
3. And perhaps most of all, be creative and fresh in the eye of the consumer.

The days of complimentary upgrades have given way to complimentary third and fourth nights. Food and beverage credits have been replaced with complimentary daily breakfast. And resort fees, fitness center access fees, and Internet access fees are slowly beginning to be waived in order to package as much value as possible into each guest’s stay.

Hoteliers may consider playing into the current trend of shorter, closer getaways rather than extended trips over longer distances by tapping into the local market. A downtown hotel may look into partnering with nearby retailers, day spas, or restaurants to offer discounted room rates, dining and shopping coupons, or vouchers to guests looking for a quick, inexpensive, in-town getaway.

Travelzoo, an online discount travel search engine, has been used increasingly by hotels, attractions and other industry venues to advertise shorter fuse booking specials. Travelzoo’s e-mail database has the ability to blast high value offers very quickly to a targeted audience.

Hotels, especially those whose advertising budgets have been slashed in recent months, should also consider reaching out to their local CVB. Many convention and visitors bureaus have the ability to partner with major travel industry players, tour companies, wholesalers, and even airlines to relatively quickly build travel agent incentives and consumer specials such as bonus airline miles for purchasing travel to a particular destination. While CVB's are generally unable to promote just a single hotel or attraction and rather are charged with promoting the destination as a whole, any effort a property is involved with to bring new business to the area is still beneficial.

Conclusion

Until the economy recovers, each property will inevitably pull out all the stops in order to keep guests coming…and coming back. Brand and rate integrity will be weighed heavily against the need for there to be heads in beds and bodies in restaurants, showrooms and attraction venues.

If only the strong will survive, their strength will be determined by the creativity and dynamics of their marketing tactics, the ability to respond quickly to market fluctuations, and perhaps most importantly, the maintaining of customer service levels on the property. ✧

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