

Group Business: Tips to Impact Revenues Despite the "AIG" Effect

By Brenda Fields, ISHC

"Group business was the driver of the horrendous year that the hotel industry experienced in 2009, and leaders on a general-session panel at the Americas Lodging Investment Summit don't see any hope of a recovery until that same business returns", according to Jeff Higley, Hotel News Now, January 26, 2010.

Almost overnight, group business disappeared when the worst economic times of our lifetime coincided with the public exposure of AIG and other companies spending lavishly on group business while accepting government bailouts. As a result, large groups from high profile companies wanted to avoid at all costs the illusion of excess or decadence and cancelled their meetings at resorts, conference centers, casinos, and convention hotels. In desperation, most group properties significantly reduced rates to attract any group business and undercut their competition to gain back this market. But did that strategy work? All data points to the fact that this strategy did not work to reverse the downward trend or, in any meaningful way, impact business. Are there other strategies that could cost effectively impact this segment of the business even in a down economy? This article will address some tips to penetrate this market regardless of market conditions to ensure that your property(s) is positioned for success.

Change Strategies:

OK. We've all heard the expression that *"craziness is doing the same thing over and over and expecting difference results"*. But do we really believe that? If so, why are we still sending our sales people to call on the same accounts or on the same industries or in the same locations? Effective strategies are the outcome of expert analysis and evaluation. And strategy setting is an ongoing process and through excellent management, it will be obvious when to change and when to maintain the current strategy. There are numerous reports on trends and with industry statistics and data by Smith Travel Research and PricewaterhouseCoopers, as two examples. The key in determining the best strategic plan is to incorporate the broad/macro information that is available, use competitive information, and evaluate your own current

situation. What works for your competitor may not work for you. Look at what's different in the business landscape. Is there a new airline flying into your area? Do you have the opportunity to provide a real "get-away" experience for your local groups so they don't have to fly to other destinations? Do you have increased international traffic from a recent "Visa Waiver" country? And can you target key international markets that are not impacted by the US Government's bailouts? Can you develop a "casino" or a "beach" for groups that will not go to those destinations? By staying current with your local business environment, combined with global realities, and adding some creativity, will place you in a much stronger position to develop the most effective strategic plan.

Prospect for Business:

Many times, the sales person or sales leader is at a loss as to find new prospects. The tight security of companies has made it virtually impossible to prospect thru cold calling. And phone directories rarely exist for external use and emails have security or "pest control" features that make it almost impossible to even leave a message. But there is business to be booked and the smart leaders will take the right steps to ensure that their sales people can uncover group leads.

Some tips are:

- As we know that people do business with people they know, it's therefore important to be known. Have the sales people join industry associations where the membership is comprised of meeting planners and influencers. A few key associations are: Meeting Planners International; Hospitality Sales & Marketing Association International; International Special Events Society, and Biz Bash. In addition to joining, it is important to be an active member. To work this to the best advantage, active involvement contributes to her/his credibility and professionalism and overall image with the potential customer. These associations have directories and the chances of a sales person reaching a decision maker are greatly enhanced.
- Monitor the local news on a daily basis to know about the local business environment. Real estate deals can result in new business for a hotel. And usually by the time a new business has relocated to your area, the hotel deals are already done. The key is to be the first.
- Get involved in your local community. Being a good citizen and good community member will once again allow you to interact

directly with the movers and shakers who are responsible for sending business your way.

Develop and Maintain Excellent Sales Skills:

Although prospecting has changed over the years, the same basic sales skills are still critical. Once prospecting has uncovered a viable piece of business or a customer calls in directly, it is excellent sales skills that will convert those leads to actual business and also excellent sales skills that will produce the highest revenues. How much revenues are left on the table just because the sales person does not possess the product knowledge or great sales skills to sell a higher rate? In BTN News, January 25, 2010, Monica Eiden, Carlson Wagonlit Travel's project manager for global hotel solutions, stated "2010 hotel rates globally are about 6.6 percent lower than 2009 rates, and North American hotel rates are down by more than 8 percent". Although it is evident that we are in a "buyers' market", are we convinced that the sales people are actually "selling" or just giving in? Could effective sales actually impact those percentages to the owners' advantage?

In addition to excellent sales skills, the most successful sales person also has a good understanding of the hotel as a business. What does a 6:00pm group check out mean to the over-all business? It typically means that expenses are significantly increased to cover the additional labor costs required to clean those rooms long after the housekeeping staff has left. Armed with an understand of the property as a business, the sales person is more prepared to artfully negotiate in the best interest of the hotel and simultaneously ensuring that the client's needs are fully met. That winning formula will help foster client loyalty and will help offset any problematic operational issues that may have come up during the client's meeting.

Price Creatively:

As stated above, group average rates are significantly down and it is likely that average rates will remain low if sale people book future groups at the current going rates. So, to try to remove some selling obstacles, why not rethink the pricing strategies? Some ideas are to consider pricing like Conference Centers by bundling guest rooms, meeting room rentals, and meals. Or add free Internet, phone calls, fitness center, to the guest room rate. These low cost items can help offset customer objections regarding pricing if they feel your product is a good value. And when was the last time that you evaluated the rates per room category? Sometimes, lowering the rates in specific room

categories can positively impact the overall average rate as it can help show that the customer is getting a good value as opposed to heavy discounting off of an inflated rate. The key is to evaluate your product and how you have quoted rates and provide a customized solution for your property and your clients. Many of our best ideas have come out of a crisis, so it may be the time to challenge your staff to approach pricing in a creative way.

So rather than despair and blame poor results on the economy, the successful owner/manager will ensure that they develop and are armed with skilled sales people who can impact business regardless of economic conditions and who enjoy the challenge!

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Brenda is a seasoned veteran and industry leader of hotel sales and marketing, with 30 years of a proven track record in luxury, convention, and boutique hotels. She was recently honored with "Top 25 Extraordinary Minds in Sales and Marketing" by HSMAI, served on the Americas Board, and is Past President of the Greater NY Chapter of HSMAI in NYC.

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