



# The Quiet Danger: The Widening Gap of Hotel Revenue Performance

The Four Things Companies Focus on To Drive Profitability

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There has been a shift within the hospitality marketplace that calls for a different game plan and mindset to get results.

Four things separate the good from the great in revenue achievement: fanatical clarity on the right strategy, segmenting business based on customers rather than systems, elevating the level of play within commercial teams, technology that connects the financial vision to the execution.





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## 1. Fanatical Clarity on the Right Strategy

As we work with teams to build a revenue vision and roadmap, 85% of the time there is not a strategy to achieve goals, but rather tactics or actions that have the appearance of getting to the intended result. Other times there is indeed a strategy, but it doesn't align to the overall financial goal — or the strategy doesn't translate to the team, making it difficult for them to execute.

In all cases, it leaves the team with a murky pathway to get what they are trying to accomplish — or with a goal and no roadmap to get there. All the above leads to gaps in optimal performance.

Why should you care? Teams missing a sound strategy will fail or fall short.

Strategy is the anticipated pathway to get to the financial outcome. It focuses the team's attention on the creation of supporting tactics, actions and output. It frames what is the highest and best use of resources, and it must be clear for teams to build an execution plan.

Many say that their teams do this currently, but there are gaps that cause a ripple effect in the top results.

Teams that continually surpass goals make certain that the strategy defines that pathway and are held accountable for the financial outcome, rather than the actions. Tactics will come and go, but strategy is the true north.

## 2. Segment-ology: Meta-Segment Strategy Is an Oxymoron

Even “meta-segments” of hotel room demand, such as business and group travel, can often be too broad to set valuable strategy.

Today the industry is challenged even more as meta-segments are blending. Terminology such as “bleisure” is being used that promotes further watering down.

To be successful, teams must focus on their most valuable segments — those that have the largest growth and are the most profitable.

Bashar Wali, CEO of Practice Hospitality, says during work sessions: “Get surgical” — which embraces the critical and differentiated mindset needed.

Hotel demand segmentation was built, derived and standardized through the construct of distribution, or sales, systems. The conventional segmentation is a function of the distribution system, and in today’s world will not be enough to understand hotel customers.

Successful strategy for driving business by hotel demand segment must drill down beyond the conventional way of categorizing guests. A focus simply on “leisure travelers,” for example, is often too broad to yield results.

### 3. Elevating the Level of Play

A study by Forrester shows that less than 24% of salespeople were knowledgeable about their customers’ business. Only 22% of salespeople understood the issues customers had and how they can help. Yet, 62% were knowledgeable about their own product. This exemplifies how sales teams often fail to engage with customers to build value beyond the product.

Teams are still using a playbook written in the 1980s but expecting to get results that meet today’s expectations. They lack the understanding and experience to achieve effective, or account-based, marketing.

Leaders seeking to change the trajectory of customer engagement should:

- Revisit sales processes and the skills needed to be effective in adding value to the customer;
- Bring outside thinking in to challenge the status quo; and
- Understand marketing goes far beyond search engine optimization and what the brands are ready to support.

### 4. Strategy Technology: The Missing Piece

Understandably, good strategy development can be exhaustive and difficult. Many also don’t have the time and resources needed to get it right. There is a gap between our top-line budget and the pathway to get there. According to a June 2022 study in Harvard Business Review, 90% of organizations that don’t have the right strategies in place fail.

Companies invest in programs and systems to get better data and intelligence, but when it comes to the actual approach and execution, teams fall back on spreadsheets or a form that borrowed from somewhere else, is not secured and fails to link back to the financial vision.

James Clear, author of Atomic Habits, writes, “You don’t rise to the level of your goals, but fall to the level of your systems.”

So how do we make all this easier? Understand that the excel document of yesteryear may not connect the much-needed dots between your vision and how it is executed; and know that there is a great deal of data at our fingertips, but how we use that to build strategy beyond revenue management will be a game-changer.

Here is the good news: When the right strategy and revenue performance framework is integrated, teams flourish. They can be nimble and react very quickly to market shifts. When sales and marketing teams engage with customers in a new way, they become differentiated and relevant in ways that drive client and customer loyalty and long-term growth.

The first step is seeing the gap.

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