



## **How should segmentation look in hotels now and in the future to be truly beneficial to a profit maximisation strategy?**

Getting basics right is difficult

Interpretation is different for everyone

Consistency is key

OTA's have changed segmentation – how do you segment this?

- Unqualified?
- BAR?

Google could be a game changer

Demand and DOW patterns are important in determining pricing – should it be unqualified for Revenue Managers OR Qualified for Marketing / CRM

BUT how does this feed back into RM? Impact of technology?

Profit Maximisation:

- Value
- Lifecycle of the customer

Does exist in casinos with sophisticated systems – not practical or feasible for hotels

Customers like the idea of “lifetime value” – as done by retail (e.g. Tesco's)

Trip Advisor / Social Media

- Hard to measure the impact

### **CONCLUSION:**

Segmentation is not Dead.

However, practicality versus desire is FAR APART

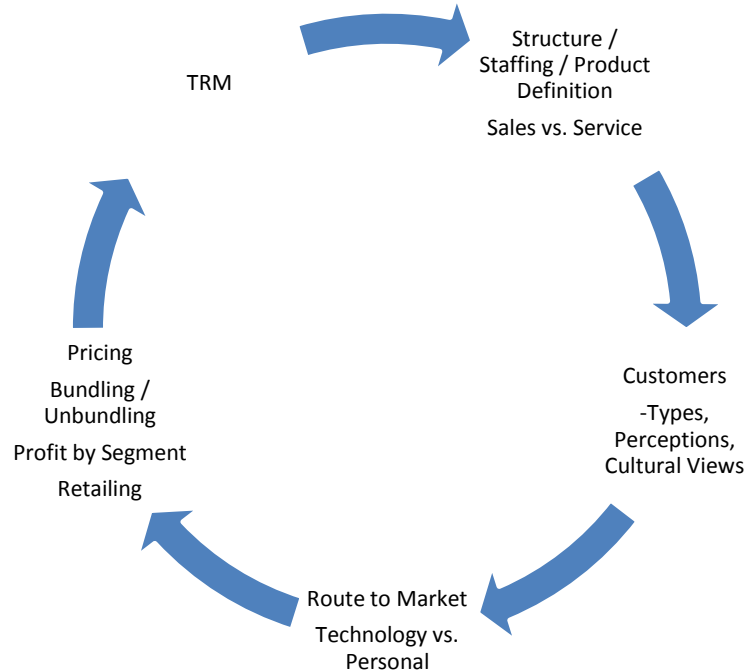
Other industries are segmenting by profit and value.

Are we followers or leaders?

It only becomes relevant when profit is compromised by senior teams.

Technology is one of the Keys

**What does “Total Revenue Management” really look like in a hotel? What are the best ways to maximize return on the ancillary products?**



**Product Definition:**

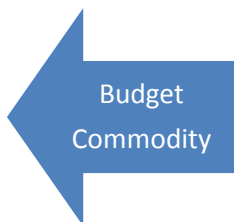
- Room types
- Services Offered
- What’s included / excluded

**Structure:**

- All departments in the organisation should link in (or even report to!) RM.
- Sales people vs. Service culture.

**Customers:**

- Can we really be all things to all people?
- Perception of our product
  - o Commodity?
  - o Or Service?



- Cultural differences / expectations



#### Route to Market:

- Personal Selling vs. Technology
- Costs / profitability or channels
- Need to ensure RM and Marketing are on the same page
- How easy do we make it to do business with us?
  - o E.g. Meeting Room selling

#### Pricing:

- To bundle or unbundle?
  - o Service level of hotels
  - o Customer expectations
- Understand the profit level of all products with the goal of selling more of the most profitable “commodities”.
- Retailing – why can’t we do this better?

#### F&B and C&E Revenue Management

- We need to be better at implementing and following up these areas.



## **The impact on RM culture when the function becomes centralised**

Needs buy in “from the top”.

Requires a culture of RM to begin with.

Is there a concern from Operations that they are losing “control” and “access”?

Every company is different.

Need to strike a balance between Central / Ops (strategic decisions + Local Knowledge)

Confidence in central team is paramount

Pro’s / Cons to Commercial Decisions

Central vs. Site Responsibility challenges

Standard product determines case for or against. Complex products are harder to centralise.

Positive aspects in recruiting RM’s from outside their geographic areas.

Reliance on technology

Career path progression is limited

Communication is Key!

GOPAR vs. REVPAR – cost of sales

### **CONCLUSION:**

There is not a One Size Fits All approach or answer

Heavily dependant on RM culture

‘Systems’ Dependat

The key is finding the right balance

“Location” to attract talent

Must continue training and development for Central team

Invest in RM and People to make £££££

**What is the long-term impact of price slashing? How should hotels hold on to their brand status whilst dealing with low occupancy and competitor rates dropping around them?**

<p><b><u>Strengths:</u></b></p> <p>↑TREVPAR via Occ          Promotional tool (pricing strategy, fencing)          ↑Market Share          New Customers (Social Media, new and emerging markets)          Providing base business (Yield up)          Upselling Opportunities</p>	<p><b><u>Weaknesses</u></b></p> <p>Brand damage          Bad RM Reaction (if not strategic or planned)          Hits Comp Set ↓ ADR          Dilute brand          Moving customer base          Profit damaged          ↓ Incremental Revenue</p>
<p><b><u>Opportunities</u></b></p> <p>Last minute revenue (another selling tool)          Provides Base          Attract new business if used correctly and proactively          Helps us understand the customer          Steal market share, with a potential to convert to repeat business</p>	<p><b><u>Threats</u></b></p> <p>Long term damage to ADR          Damage to reputation and brand integrity          Increased Costs          Displace higher rated business          Impact on service delivery might result in lost business          Change in “Quality” of customer attracted          Impact on Corporate contracts          Delay market recovery          Overall impact on profitability</p>

**CONCLUSION:**

- Utilise as part of a profit strategy
- Industry needs to stand strong
- Know what you are going to do with customer – convert when possible!
- It’s not just about the price “experience”

## How might customer relationship management tactics directly impact the Revenue Manager's job, and the company profit margin?

Guest History → New CRM Software (traditional segmentation or new segments?)

Social Media:

- Inspiration / Planning Stage
- Word of Mouth
- ↓
- Collecting data
  - Pre Arrival
  - During Stay
  - Post Departure

We need to consider:

*The long term value versus the value of the influence*

