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REVENUE READY

HSMAI
Revenue Management Training

Jakarta & Yogyakarta
September 2017

Matthias Dybing

Nama Saya Matthias Dybing

Experience:

- 20 years Hospitality
- 10 years Revenue Management
- Analyst, RM, Director of RM, Regional, Head of Chain
- City, Regional Hotels, Resorts, Destinations
- Revmandis

Revmandis
HOTEL REVENUE MANAGEMENT & DISTRIBUTION CONSULTANCY

HSMAI RM Training Courses

- Course Log in: https://ehotelier.futuraonline.com.au
- Glossary Terms: http://hsmaiacademy.org/glossary/

HSMAI RM Training Courses

Topics	Jakarta		
Day 1 and Registration		8:30am - 9:00am	**30 minutes**
Introduce HSMAI and Revenue Ready	Bilal Chamsine	**9:00am - 9:20am**	20 minutes
1) Components of Revenue Management	Matt Dybing	9:20am - 9:40am	20 minutes
3) Understanding the Hospitality Market	Matt Dybing	9:40am - 10:15am	35 minutes
Morning Tea		10:15am - 10:45am	30 minutes
2) Understand your guests path to booking	Matt Dybing	10:45am - 11:30am	45 minutes
4) Market Segmentation	Matt Dybing / Justin Williams	11:30am - 12:30pm	60 minutes
Lunch Break		12:15pm - 1:30pm	60 minutes
5) Distribution	Komang Ani & Justin Williams - SiteMinder	1:30pm - 3:00pm	90 minutes
Afternoon Tea & Photo of group		3:00pm - 3:30pm	30 minutes
6) Forecasting	Tracy Dong - IDeaS	3:30pm - 5:00pm	90 minutes to 2 x hours
Day 2:			
Welcome and overview of Day 2	Bilal / Matt Dybing	**9:00am - 9:15am**	**15 minutes**
7) Revenue Strategy	Tracy Dong - IDeaS	9:15am - 11:00am	90 minutes to 2 x hours
Morning Tea		11:00am - 11:30am	30 minutes
8) Pricing	Fabian Bartnick - LodgIQ	11:30am - 1:00pm	90 x minutes
Lunch Break		1:00pm -2:00pm	60 minutes
9) Business Intelligence for Hotels	Fabian Bartnick - LodgIQ	2:00pm - 2:45pm	45 minutes
10a) Revenue Roles and Structure Types	Bilal	2:45pm - 3:15pm	60 minutes
Afternoon Tea		3:15pm - 3:45pm	30 minutes
10b) Revenue Meetings	Matt Dybing	3:45pm - 4:05pm	20 minutes
Q&A	Matt Dybing	4:05pm - 5:00pm	55 minutes
Photo of group and Closing on behalf of HSMAI	Bilal / Vanessa	5:00pm - 5:30pm	30 minutes

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Contents

The Key Components of Revenue Management

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What is Revenue Management?

- **'Revenue management is the art and science of predicting real-time customer demand at the micro market level and optimizing the price and availability of products to match that demand.'**

- **'Revenue management is offering room rates and inventory controls that are most appropriate for the anticipated demand."**

- **'Selling the Right Room to the Right Person at the Right Time on the right Date at the Right Price'**

The Key Components of Revenue Management

Hear directly from hotel staff and leaders on what the Revenue Management department does and how they interact with other departments.

https://youtu.be/QQ67vU8acF0

Developed by the HSMAI Asia Pacific Revenue Advisory Board in conjunction with the Singapore Institute of Technology Hospitality School.

The Key Components of Revenue Management

Revenue management is not an independent business process, or system. It is a function that delivers the most value if it is fully integrated in the organisation, the business processes, and the mind-set of employees.

- The Revenue Department has the ability to positively impact the bottom line, not just the revenue, and Revenue Managers will the ones helping us to move ahead in the practice of one-to-one marketing and pricing.

- It requires strong communication and teamwork among the appropriate departments. Revenue management must be incorporated into the culture of a hotel to take advantage of the opportunities that this function can bring.

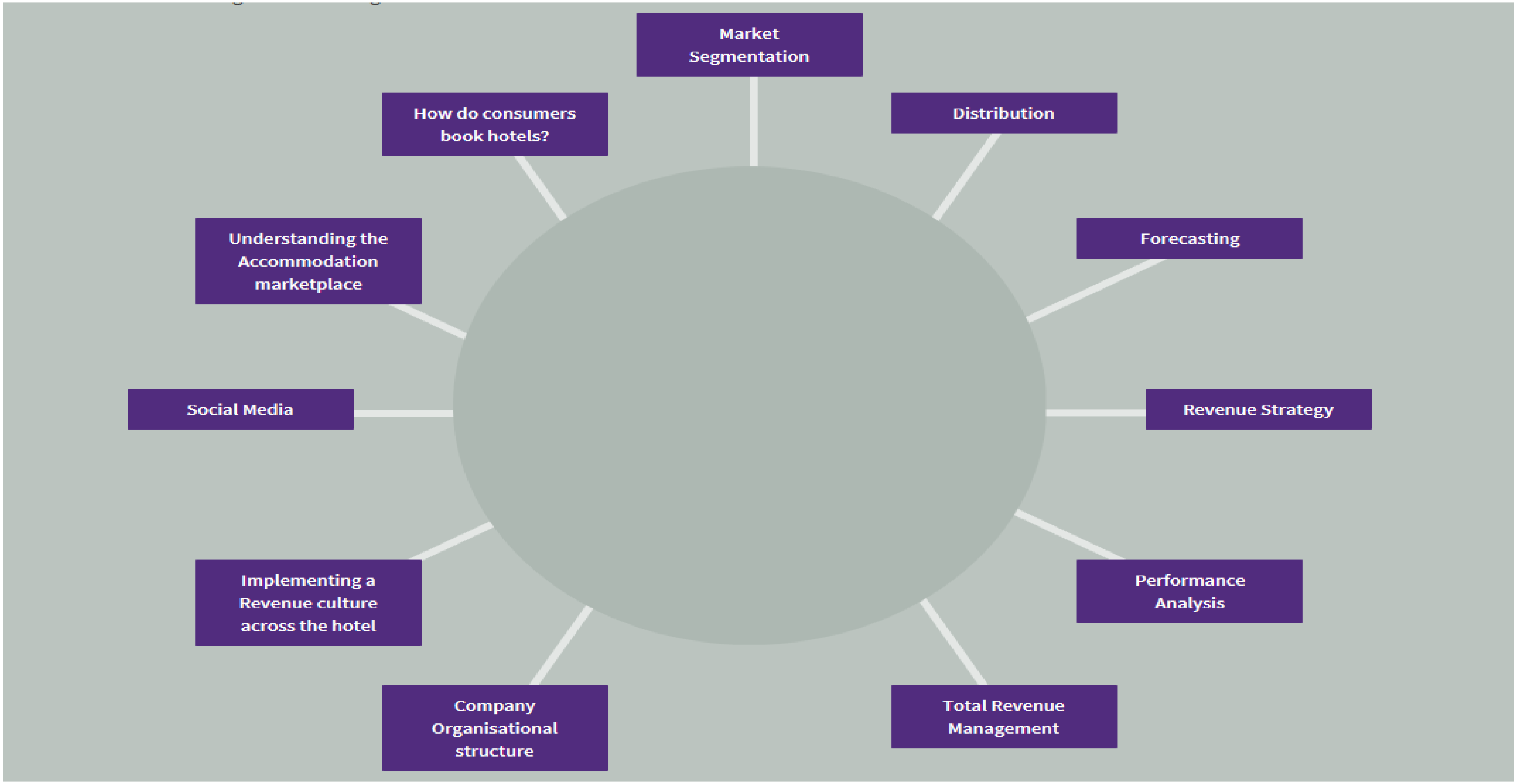
The Key Components of Revenue Management

The strategy includes macro and micro-economics, market conditions, appropriate product placement, and value-added pricing, just to name a few:

You will need **Knowledge** on:

- Key customers' accommodation requirements
- Your competitors' pricing and demand-generating activities
- Major events in your area
- History; factual historical data on bookings, pricing etc
- Distribution Systems (these systems allow your hotel rooms to be booked on Online Travel Agents websites and through other channels)
- How and where and when, consumers and companies book hotels

The Key Components of Revenue Management

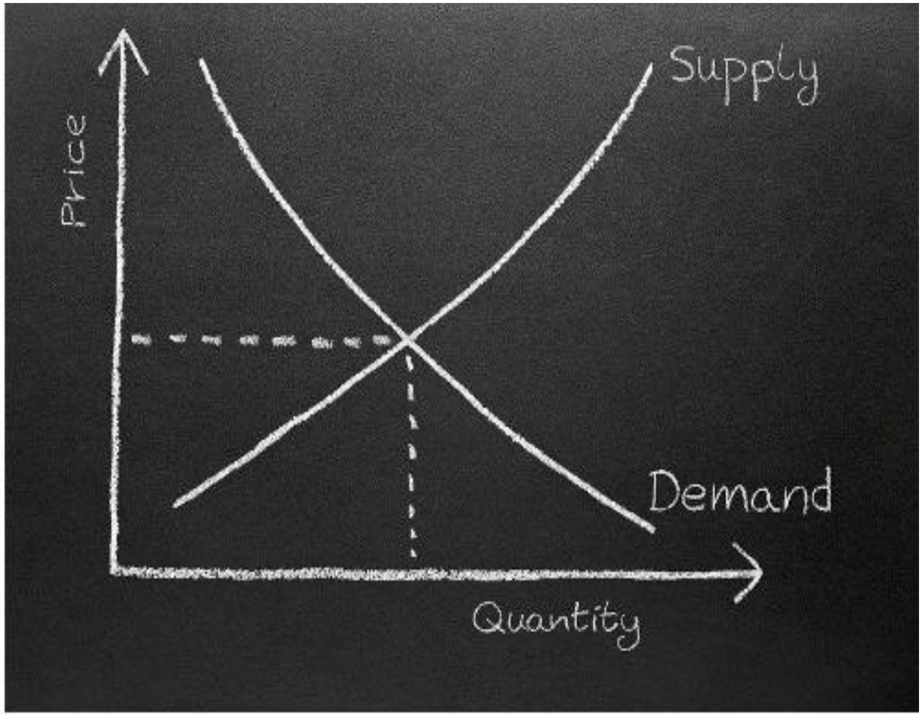


Understanding the Market

Understanding the Market

Revenue management allows hoteliers to achieve the right balance between the maximum occupancy with the highest possible room rate they can get. Demand and supply are both a part of making this decision and so must be well understood by any aspiring revenue manager.

- What is demand and supply?
- What influences demand and supply?
- How do demand and supply impact pricing and revenue management?
- Types of external and internal analysis?
- Understanding trends: Useful tools and indicators.
- What are the key performance indicators for hotels?

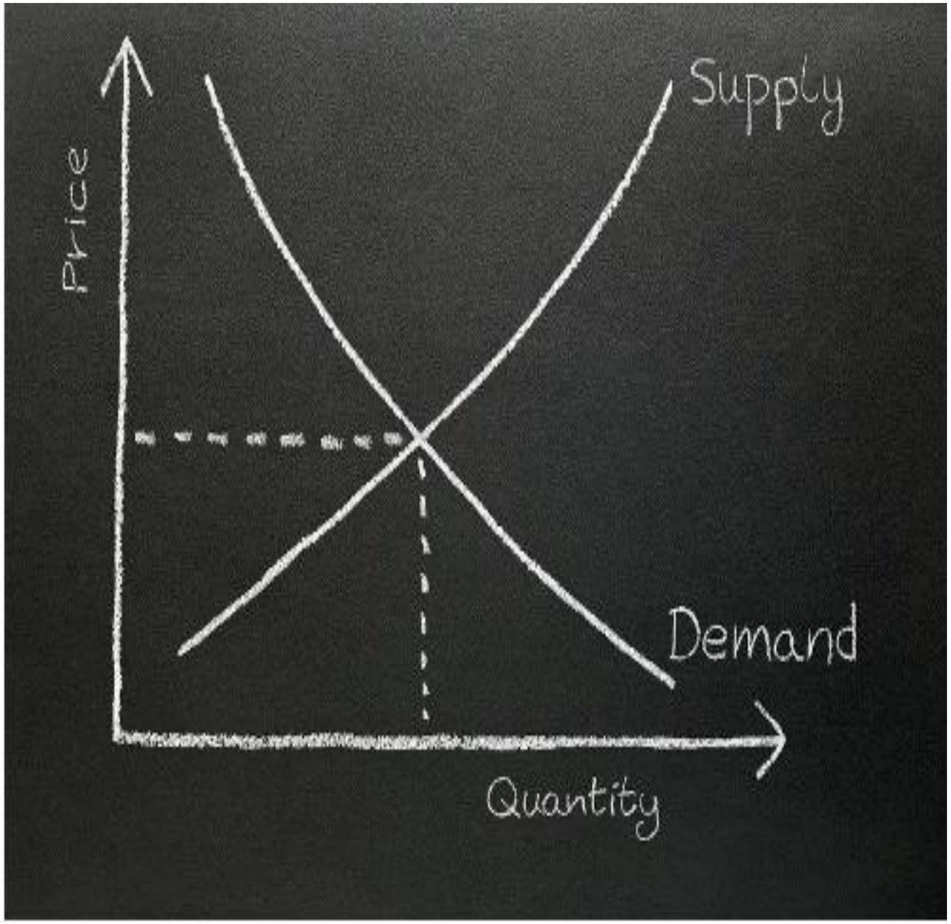


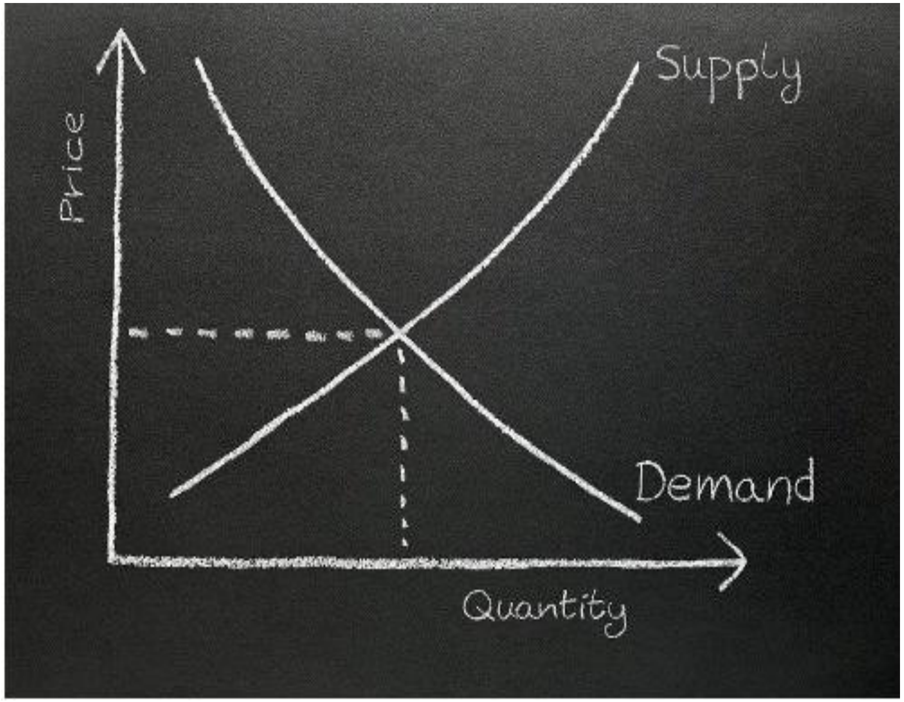
Demand and Supply

Understanding the Market

What is demand and supply?

- Demand
  - For accommodation suppliers, this refers to the number of guests looking to purchase accommodation.
- Supply
  - For accommodation suppliers, this refers to the total number of rooms available in the market for shoppers to book.





What Influences Demand and Supply?

Understanding the Market

Economics influences demand and supply.

Economics may appear to be the study of statistics, numbers and complicated tables and charts, but **it really is the study of human behaviour in the endeavour to fulfil wants and needs.**

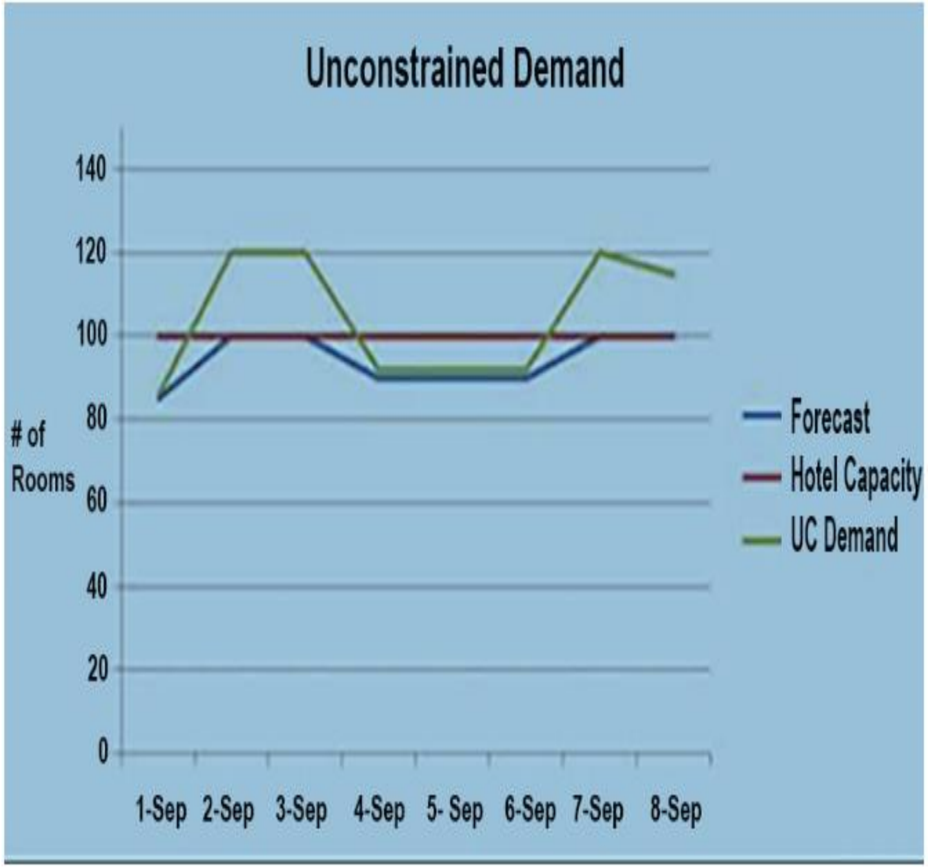
- **Basic Needs:** Shelter, Food, Water, Sleep, Health, Breathing
- **Other Needs:** Employment, Resources (Petrol), Family, Social, Internet…
- **Wants:** Travel, New TV, New Computer…

When people have needs and wants, they are ready to purchase products and services to fulfil these needs and wants.

Understanding the Market

Unconstrained Demand

- The success of hotel revenue management is the ability to accurately forecast demand.
- The following graphic is a simplified visual of unconstrained demand. In this example the hotel's capacity is 100 rooms. The unconstrained demand—which ***equals demand minus any constraints*** — is more than the hotel's capacity on several dates.



Understanding the Market

Pricing in Revenue Management

- Different customers must be willing to pay different prices for the same product (room).

Pricing Elasticity, Demand and Pick Up, Value Proposition and Understanding Customers:

- When the amount demanded changes based on the price charged, the product or service is considered to be "***price elastic***". (eg: Hotel room, Airline seat)
- When the amount demanded doesn't react much with a change in price, this is known as price inelasticity or "***price inelastic***". (eg: Salt, Petrol)
- We can see that price elasticity varies depending on who the customers are, what their needs are, and when they purchase/book reservations.
- All customers can see the prices online, hotels need to consider customer price elasticity when pricing their rooms, and not simply match their competitor's prices.

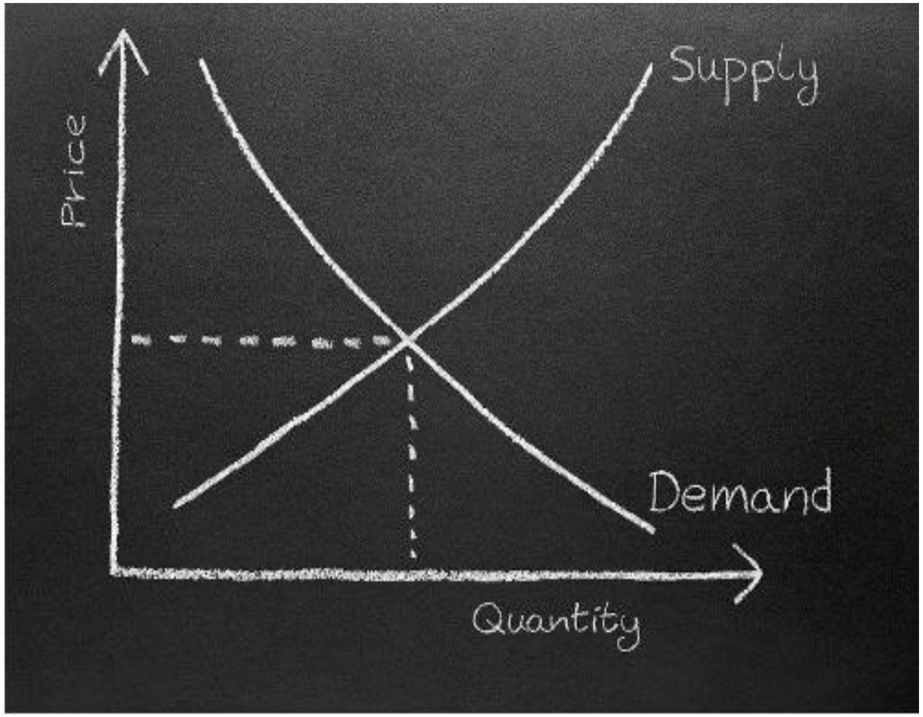
Understanding the Market

Price is only an issue **in the absence of value**…..but value is **<u>relative</u>**!

Understanding the Market

Pricing positioning and value proposition are relative to:

- Demand
- Supply
- Competitors
- Pick Up and Booking Pace
- External Factors
- Ratings
- Reviews
- Perceptions / Booking Promise
- Budget
- Wants
- Restrictions
- Management Thinking



Types of external and internal analysis?

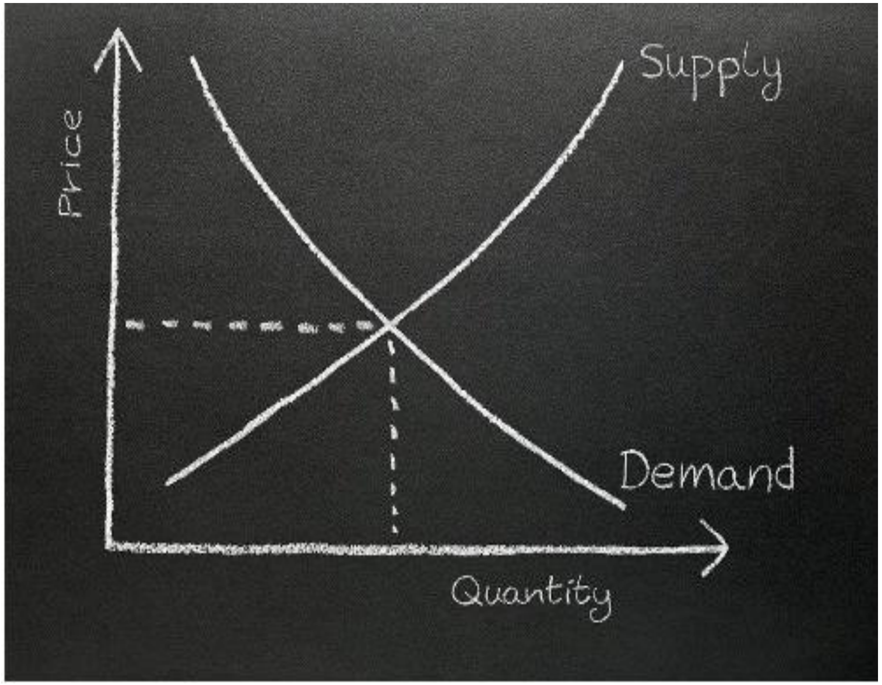
Understanding the Market

Every well-managed hotel undertakes both **external and internal analysis**.

- An **external analysis** provides hoteliers with a view of what is happening within the marketplace. **This includes consumer trends (demand) and competitor properties (supply)**.
- By understanding their consumers and competitors, a hotel Revenue Director can better **position** the property to meet and exceed their marketplace conditions.
- An **internal analysis** provides hoteliers with an understanding of what is happening within their own hotel that can influence their position within the marketplace.

Understanding the Market

Market trends can impact your hotel such as competitor such competitive trends, pricing trends, consumer behavior and booking trends. **Understanding these trends and competitor strategies is critical to knowing how to compete to win customers.**

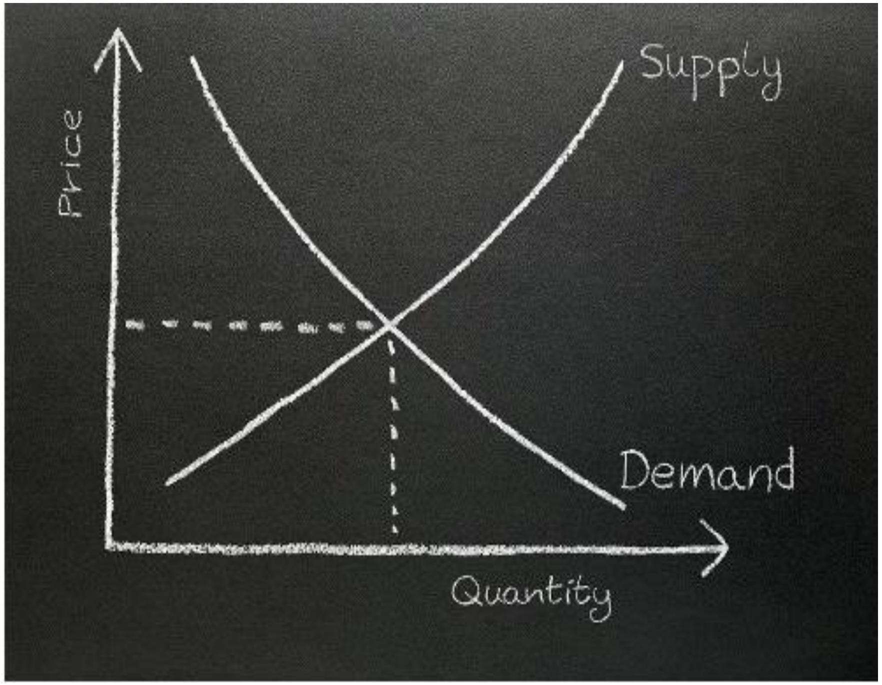


Understanding trends: Useful tools and indicators:

Understanding the Market

Useful tools and indicators:

- Demand (Event Calendar, Holidays, STR Global, Competitor Pricing)
- Supply (STR Global, New Hotels, Opening Dates, Refurbishments)
- Competitors (Rate 360, OTA Insight, Prophet, Expedia Rev+, Booking.com, STR Global)
- Pick Up and Booking Pace (PMS Data, RMS Systems, Market Reviews, Forecast, Planning Grid)
- External Factors (Event Calendar, Act of God, Security, Economic Outlook, Market Reviews)
- Ratings (Star Rating, Trip Advisor, Expedia, Booking.com)
- Reviews (Star Rating, Trip Advisor, Review Sites, Expedia, Booking.com, Guest Surveys)
- Perceptions (Social Media, Star Rating, Reviews)
- Budget (Geographical Source, Spend, Product positioning)
- Wants (Location, product positioning….lifestyle, boutique, budget, midscale)
- Restrictions (Location, Time, Budget, Procurement, Refurbishment, Perceptions)
- Management Thinking (Realistic or unrealistic? Owner's influence and involvement)



Key Performance Indicators in Hotels:

Understanding the Market

- Occupancy
  - Occupancy percentage is a measure of the total number of rooms sold in comparison to the inventory of the hotel available for sale.
- Average Daily Rate (ADR)
  - Metric used in the hotel industry to indicate the average revenue earned per room sold.
- Revenue Per Available Room (RevPAR)
  - Performance metric in the hotel industry that is calculated by dividing a hotel's total guestroom revenue by the room count .

Understanding the Market

- **MPI**: Market Penetration Index
  - Hotel occupancy percentage relative to the Comp Set occupancy percentage.
- **ARI**: Average Rate Index
  - Hotel average rate relative to the Comp Set average rate.
- **RGI**: Revenue Growth Index
  - Hotel revPAR relative to the Comp Set revPAR.

Formula:

$$\frac{\text{Property Performance}}{\text{Competitive Set Performance}} \times 100 =$$

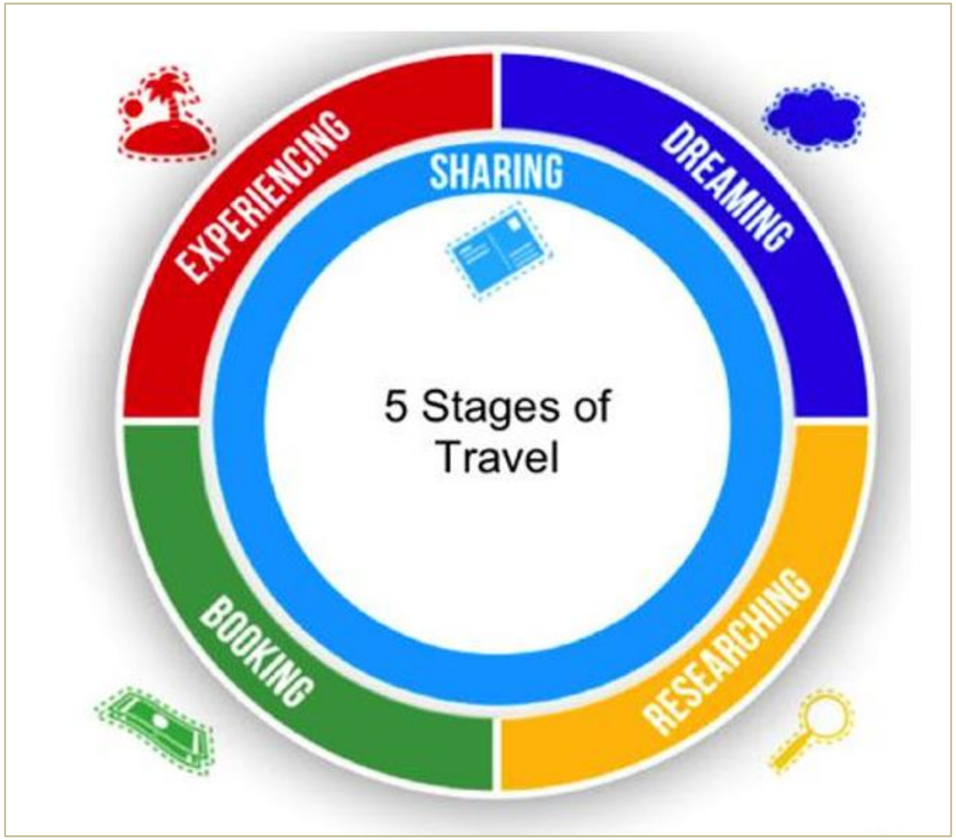
Understanding Your Guests Path to Booking

Understanding Your Guests Path to Booking

You need to know where consumers are shopping and where they are booking accommodation.

Think like a customer:

- How do consumers search, find and select accommodation?
- What are they looking for?
- Where they make their bookings?
- Why they select certain rooms, or offers, over others?
- What influences them to buy?

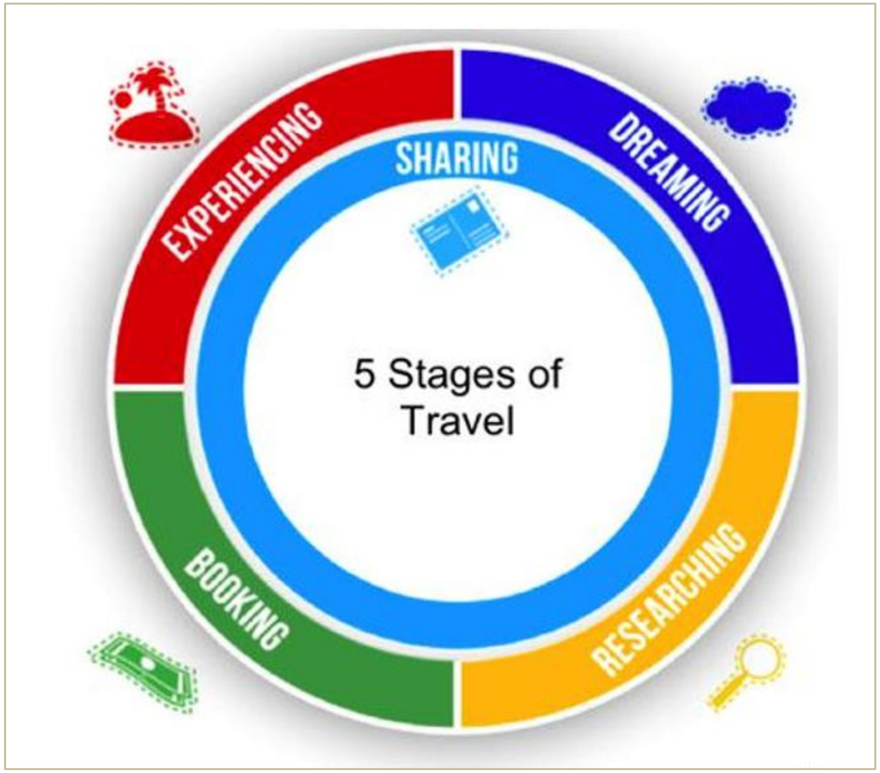


The Customer Journey

Understanding Your Guests Path to Booking

The Customer Journey

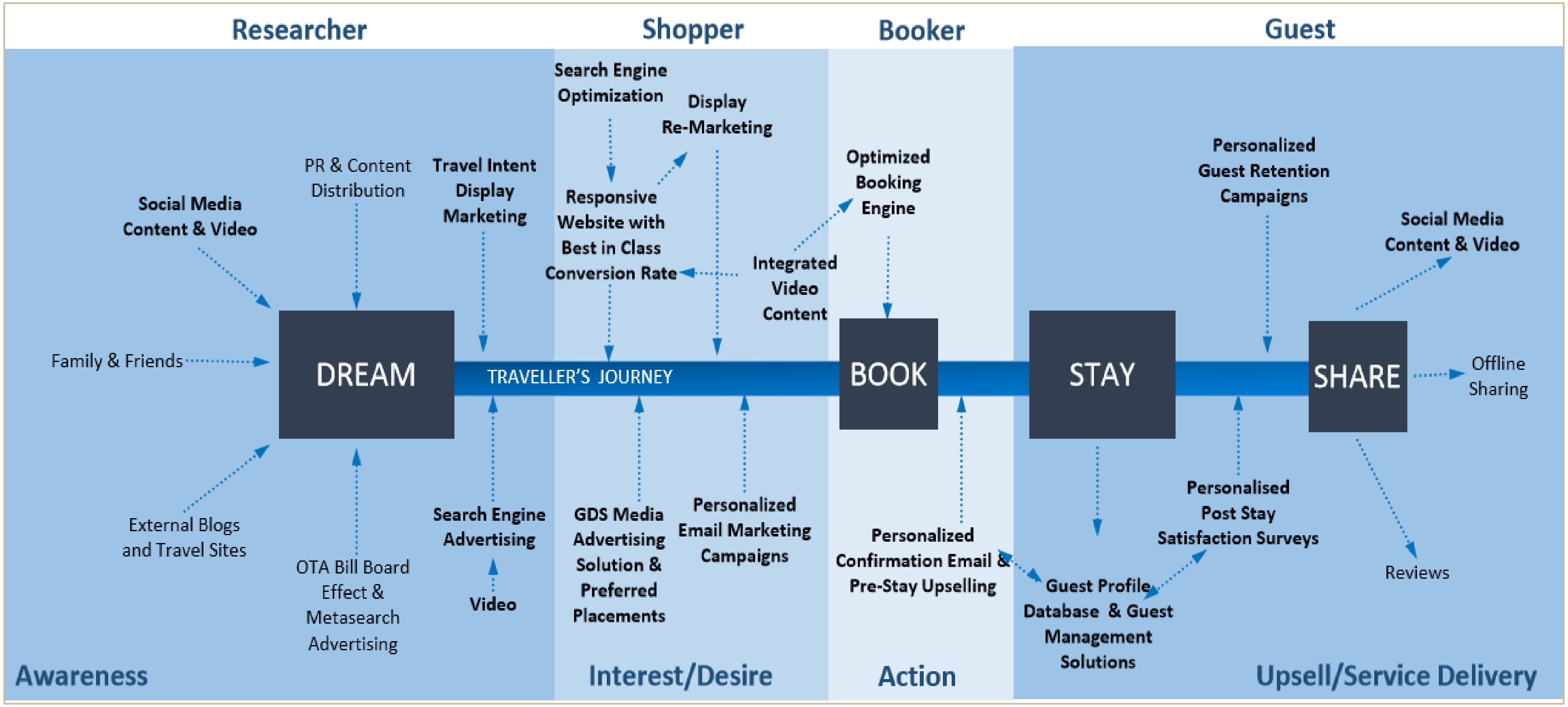
1. Dreaming
2. Researching
3. Booking
4. Experiencing
5. Sharing



The Customer Journey
Dreaming Phase

Understanding Your Guests Path to Booking

The Customer Journey – Booking Phase



Source: Google / Phocuswright / Travelclick

Understanding Your Guests Path to Booking

People find inspiration to travel from a variety of sources. Advice from friends or colleagues, travel agents, advertisements, travel shows on television, tourism sites or perhaps it's just a dream location they have wanted to visit their whole life.

Leisure "dreamers" are different to Business "dreamers".

If you're going on a business trip, there will normally be a shorter dreaming phase. You might already know where you need to go and when you need to go. You might still be dreaming about staying longer and what you could do if you had a few extra days in the destination. Or just dreaming of a very fast Wifi connection at the hotel.

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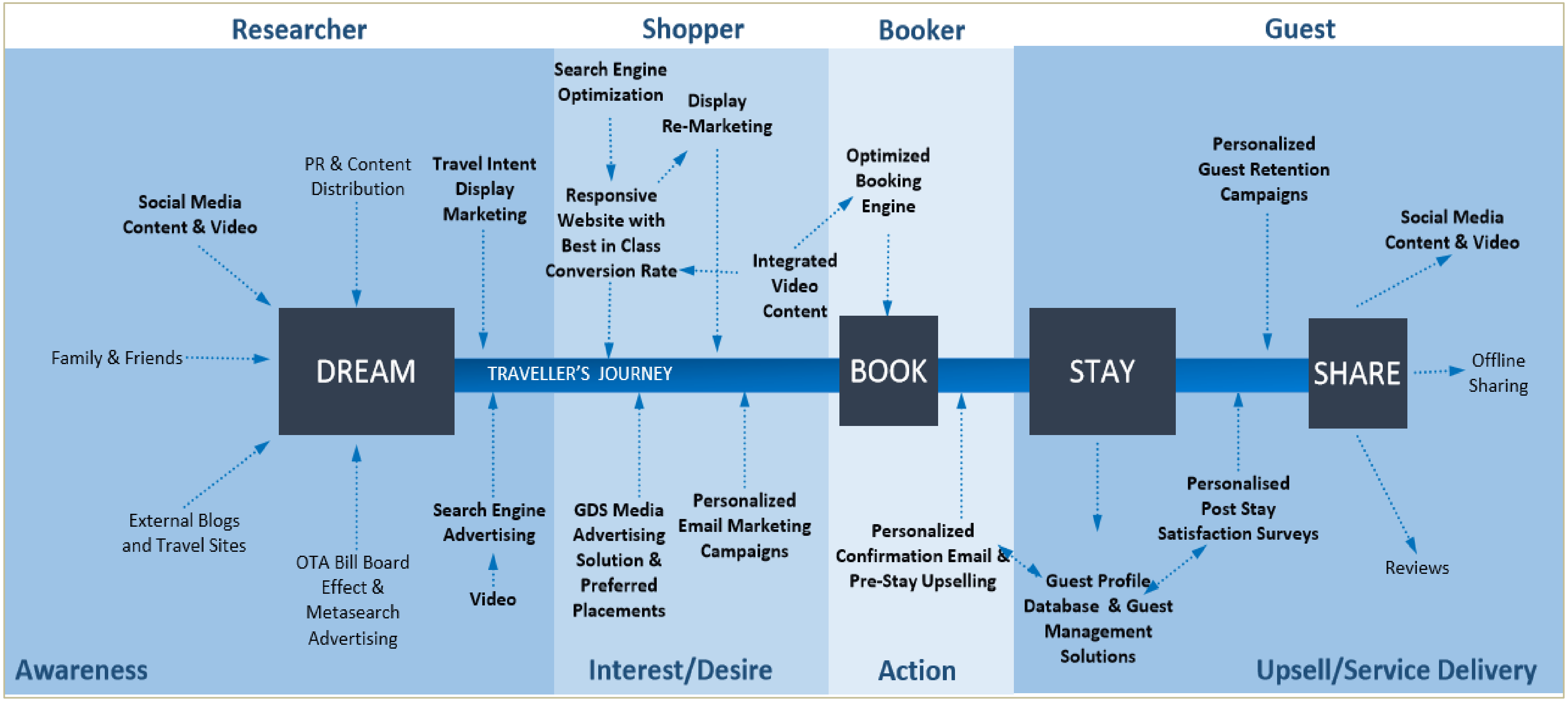
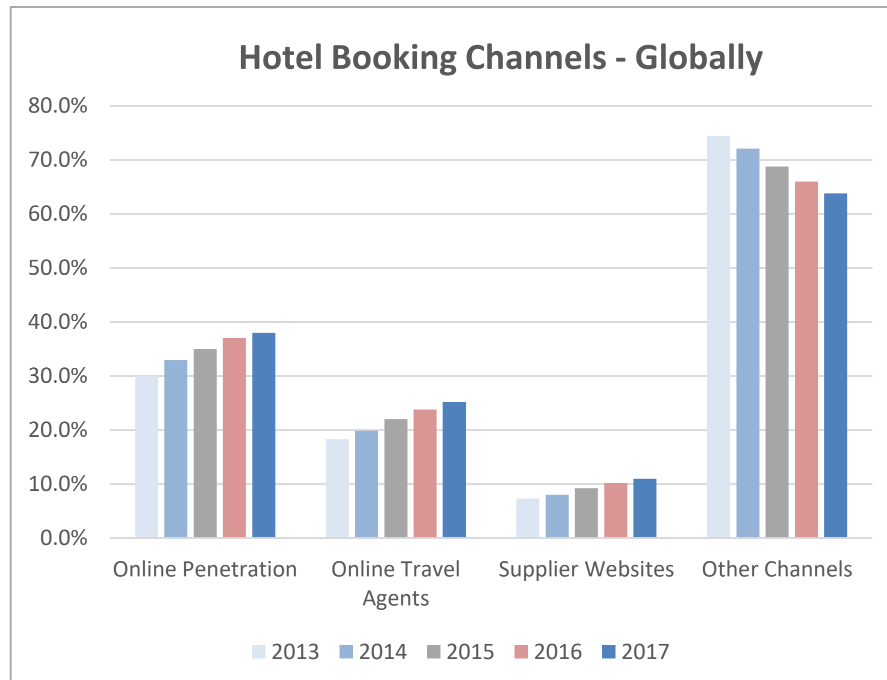
Understanding Your Guests Path to Booking

The Customer Journey – Researching Phase



Source: Google / Phocuswright / Travelclick

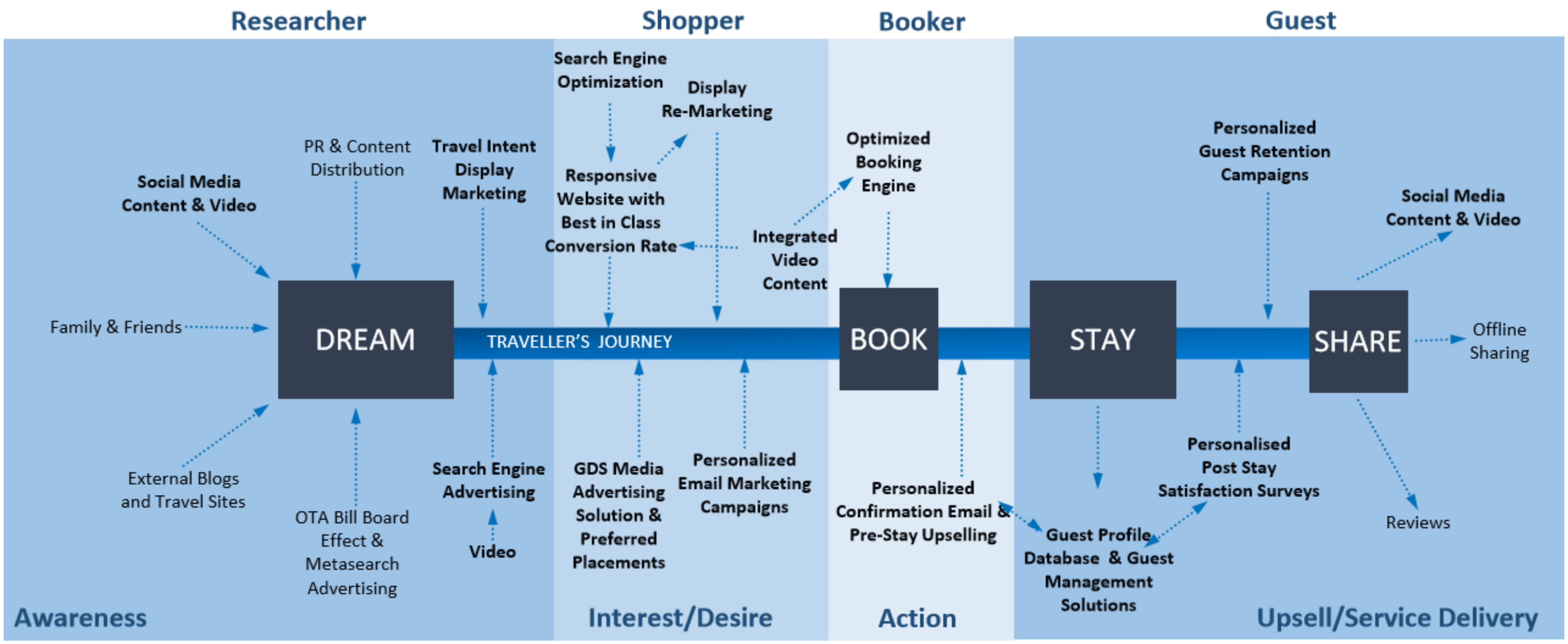
- A customer planning a trip **visits an average of 38 sites** during the planning stage.
- Influencing factors are: Marketing, Reach, Exposure, Content, Value for Money, Location, Pricing, Recommendations, Reviews, Ratings, Loyalty.



Source: Phocuswright / Eye For Travel / Google / Expedia Media Travel

Understanding Your Guests Path to Booking

The Customer Journey – Booking Phase



Source: Google / Phocuswright / Travelclick

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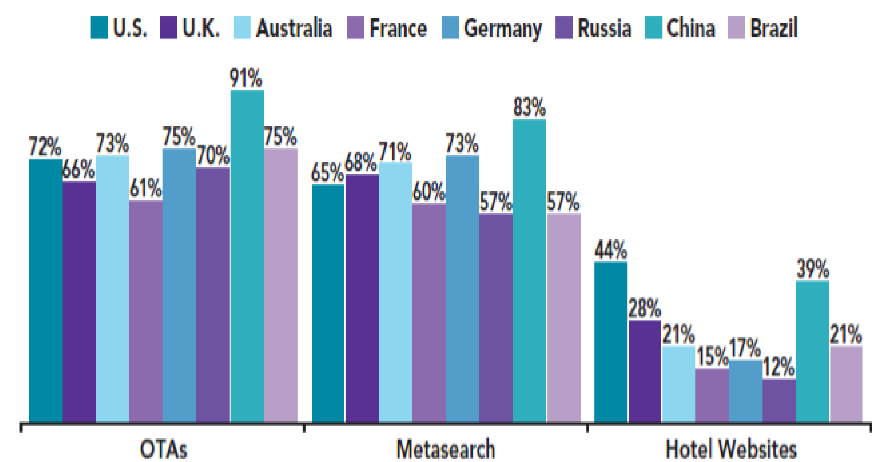
Understanding Your Guests Path to Booking

	Hotel Research and Booking Dynamics	Site where hotel was booked		
		OTA	Meta	Supplier
Site where research was initiated	OTA	44%	42%	34%
	Meta	24%	25%	20%
	Supplier	33%	33%	46%



Question: Which of the following travel websites or apps did you use to shop for hotels and accommodation(s)? Please indicate if you used each website on your desktop computer, smartphone or tablet. *Select all that apply.*
Base: Online hotel shoppers: U.S.: (N=578); U.K.: (N=482); AUS: (N=589); FRA: (N=476); GER: (N=414); RUS: (N=419); CHN: (N=777); BRA: (N=589)
Source: Phocuswright's *Search, Shop, Buy: The New Digital Funnel*

1) "TripAdvisor lists hotels on Google, Kayak, and Trivago, edging closer to meta metasearch." *Tnooz* (Aug. 24, 2016). Research.

Most Popular types of websites for Hotel shoppers

Source: Phocuswright / Eye For Travel / Google / Expedia Media Solution

Understanding Your Guests Path to Booking

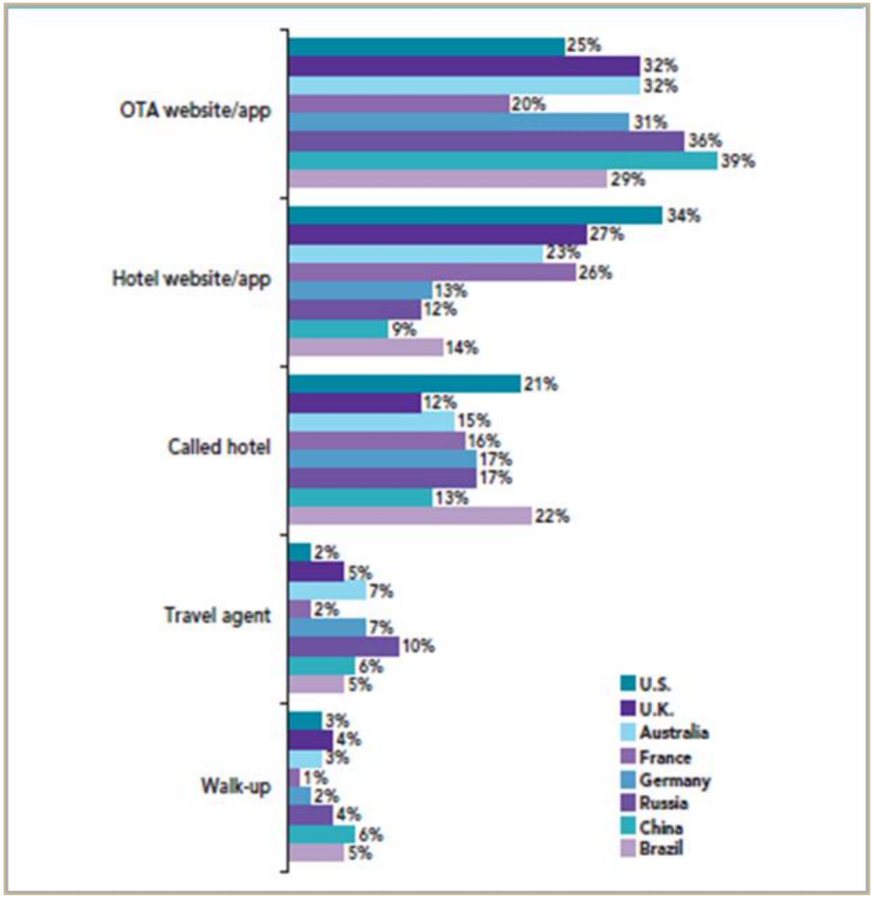
Important factors to consider:

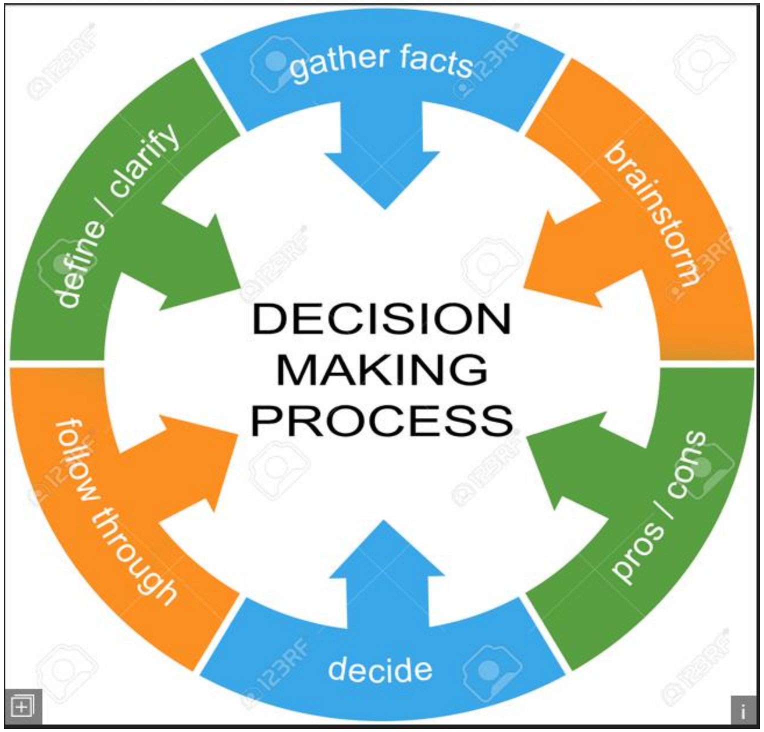
- **Value:** Hotels shortlisted based on: Location, Price, Inclusions, Brand, Ratings and Reviews
- Value is different for experience seekers vs deal seekers. Emotional booking behaviour: Selfie vs Bargain
- **Online vs Offline:** Consumers will do a lot of research online and then might go into a travel agency for some final advice on the details and booking convenience.
- **Patterns** change based on type of travelers, demographic. Some travelers prefer travel agents, OTAs, Phone.

Understanding Your Guests Path to Booking

Driving Direct Bookings:

- Marketing and exposure during dream and research phases
- Conversion
- Good content / information
- Value for money, pricing, unique se lling points, inclusions,
- Easy to book / change / cancel
- Targeting different populations with different products.





What Influences the Decision Making Process?

Understanding Your Guests Path to Booking

Price is only an issue in the absence of value……

Understanding Your Guests Path to Booking

Business Travellers Value:

- Review Sentiment (i.e. positive, negative)
- Brand (i.e. unknown, known, preferred)
- Aggregate Rating
- Price
- Review Language (i.e. emotional, descriptive)

Leisure Travellers Value:

- Review Sentiment (i.e. positive, negative)
- Price
- Aggregate Rating
- TripAdvisor Rank
- Brand (i.e. unknown, known)

Source: Extracted from: Price, Reviews and the Business traveller, by Kelly McGuire, Vice President, Advanced Analytics, Wyndham Destination Network

Understanding Your Guests Path to Booking

Recent research shows that many things have an influence on which accommodation a consumer chooses. In general, these are the main influencers (not in any specific order):

- Reviews - ratings and text reviews, Images and video
- Price
- Location
- Friends
- Brand
- Rewards/Loyalty
- Corporate Policy
- Reason for Travel
- Travel Agents

Travel Agents:

A travel agency is a business that provides travel and tourism related services to consumers on behalf of suppliers such as airlines, car rentals, cruise lines, hotels, railways, and package tours.

In addition to dealing with tourists most travel agencies have a separate department devoted to making travel arrangements for business travellers and some travel agencies specialise in commercial and business travel only (TMCs).

Travel Agents book hotels in three ways:

1. Via a wholesaler (normally this would only be leisure customers)
2. Via the Global Distribution System (GDS) i.e. The GDS is the system travel agents use to book flights and hotels, car rental etc)
3. Directly with a hotel if they have a special negotiated rate available.

If you're property is not visible in these channels, it's unlikely the travel agent will recommend your property.

What other distribution channels are available for consumers to book their rooms?

10 Minutes

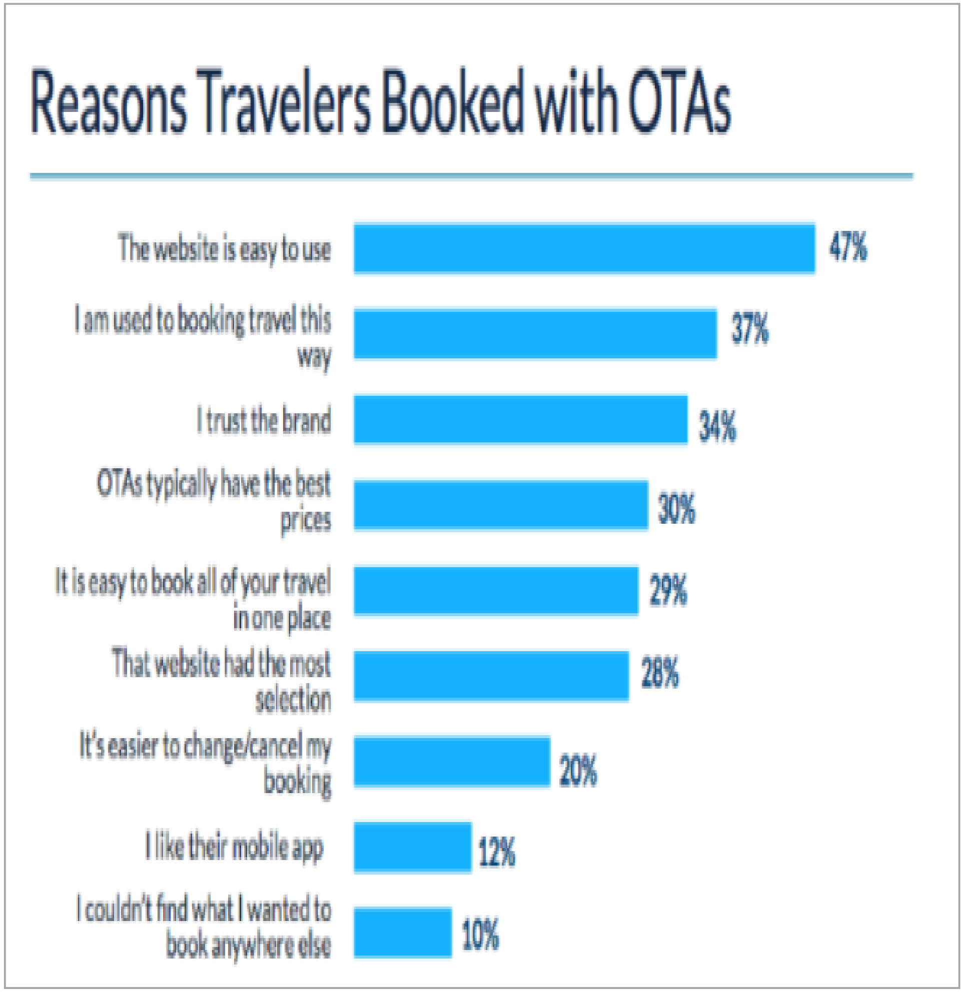
Understanding Your Guests Path to Booking

Distribution Channels:

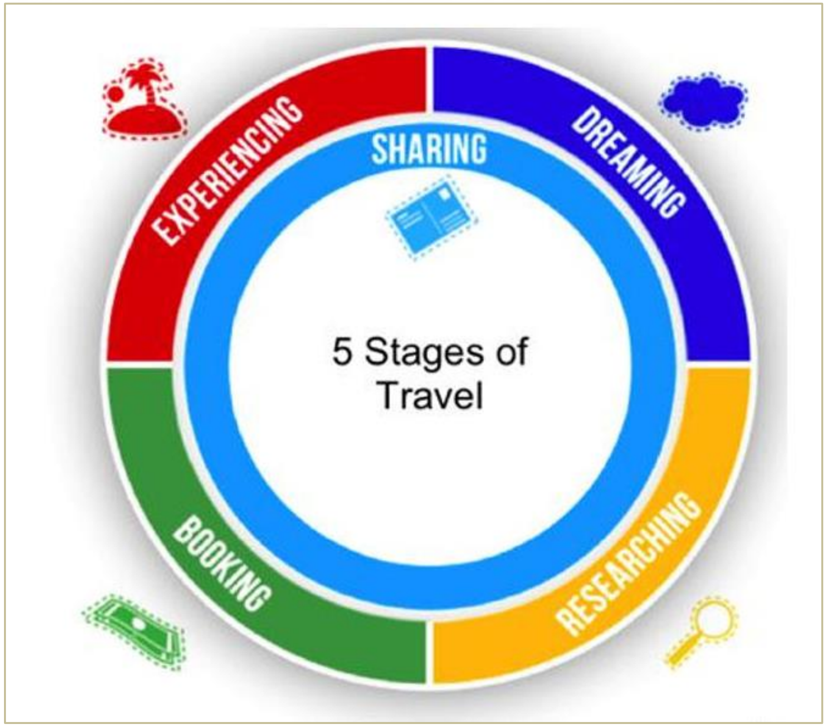
- Direct Channels (Reservation Team + Website)
  - Affiliates Channels
  - Loyalty Members
  - Corporate Partners
  - Staff
  - Friends and Family
  - Social Media
- Direct via Meta Search
- Direct via Travel Agents
- Travel Agents via GDS
- Wholesalers
- Online Travel Agents (OTAs)

To OTA or Not OTA?

- Some travelers prefer OTAs
- Drive visits via significant marketing spend
- Reach customers through partnerships and affiliate networks
- International Marketing
- They are present at every stage of the customer journey
- Conversion….more conversion
- They deliver bookings
- Better at room rate packaging
- Elements of persuasion (scarcity, social proof, reciprocation)
- Pricing techniques (Anchoring, Decoy)
- www.booking.com



Source: Phocuswright / Revinate / HSMAI / Revmandis

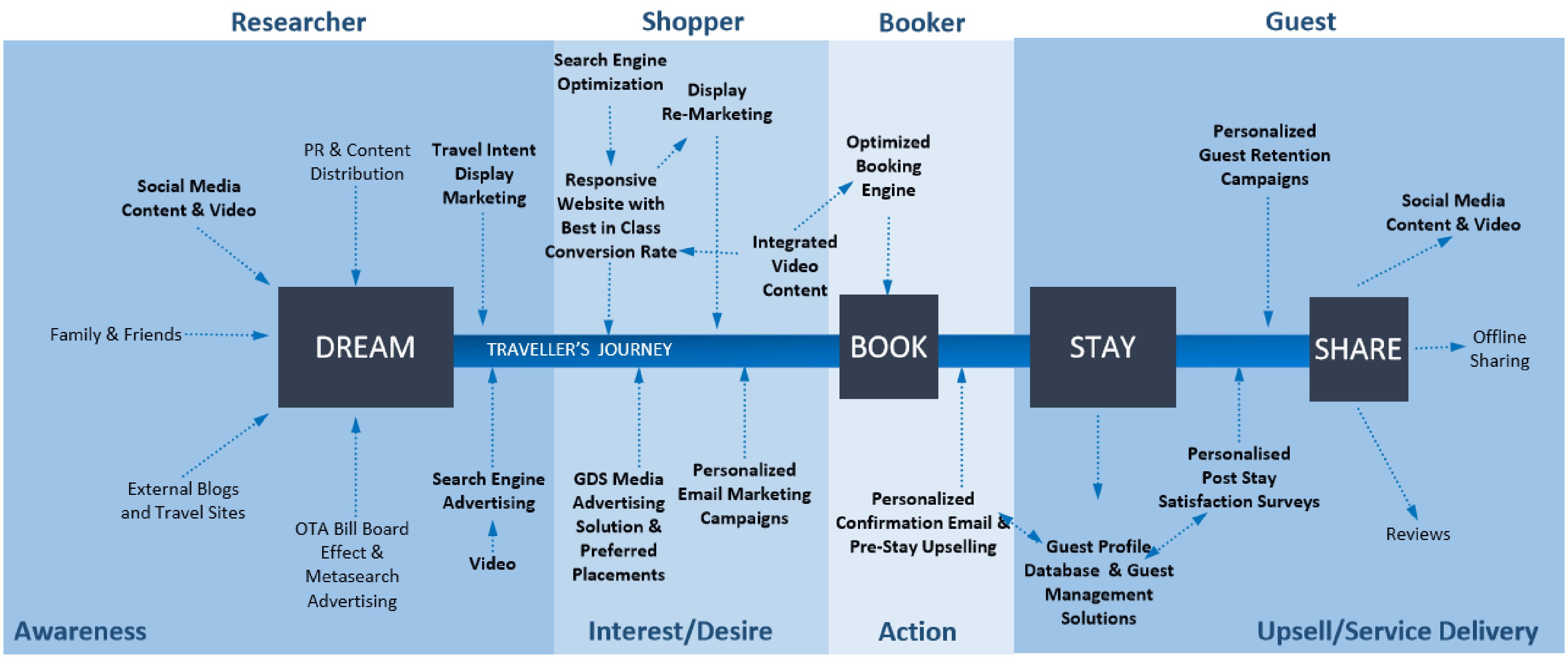


The Customer Journey

Experiencing and Sharing Phases

Understanding Your Guests Path to Booking

The Customer Journey – Experiencing and Sharing Phases



Source: Google / Phocuswright / Travelclick

Understanding Your Guests Path to Booking

- Experience and sharing phases are increasingly aligned due to instant communications via social media.
- You are judged on customer service and product delivery relative to the promise at time of booking (value for money and experience).
- Customer experiences influence the other phases of the customer journey.
- Just about EVERYONE who has had a bad experience shares the experience on social media and review sites.

Source: Google / HSMAI / Revmandis

Understanding Your Guests Path to Booking

Price is only an issue in the absence of value……**WARNING:** Find the right balance between pricing positioning and reputation. **Price is relative to booking promise.**

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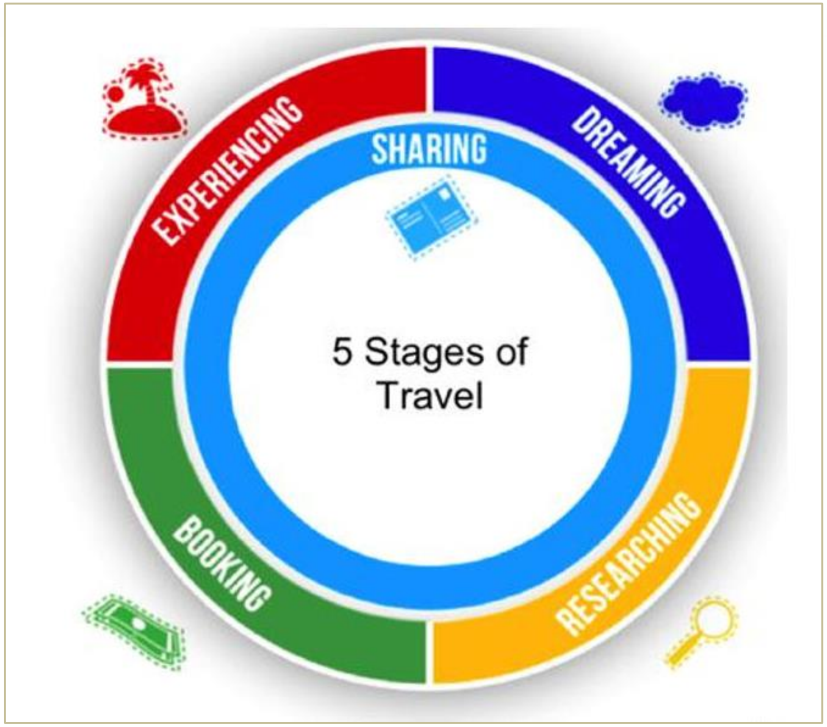
Understanding Your Guests Path to Booking

	Low Price	Medium Price	High Price
High Value	**Underpriced:** "What's wrong with this hotel?" pricing strategy."	**"More for your money" pricing strategy.** Attractive pricing: ideal for market penetration.	**Premium pricing strategy.** Exclusive, Prominent, Boutique.
Medium Value	**True bargain:** Tactical Rates to increase Volume and Revenue.	**"Square deal" pricing strategy:** Price and value are in balance, exclusive of other factors.	**Overpriced:** Informed buyers will stay away.
Low Value	**"Tourist trap"**	**Sales may turn into complaints.**	**Don't even think about it!**



Understanding Your Guests Path to Booking - Conclusion

Understanding Your Guests Path to Booking

- Understand market demand patterns (ie: events, low and peak season, holidays) so you can better target the right customer at the right time on the right date at the right price through the right channel.

- Understanding who customers are and how they book is critical to maximising exposure, optimise marketing, pricing initiatives, revenue and profits, and minimise cost of acquisition.

- Use all distribution channels at your disposal that can be useful to your hotel. There is no one size fit all approach and all channels serve a purpose to generate exposure in the market.

- Collect data from reservations and customers in order to understand booking patterns and behaviours, better target customers and better manage business and distribution channels.

Market Segmentation

Types of Marketing

Market Segmentation

Mass Marketing = your attempt to appeal to an entire market with one basic marketing strategy utilising mass distribution and mass media. This approach is beneficial when opening a new hotel or launching a newly renovated room, or new package for instance.

"Not all customers are alike. Therefore not all products, prices, or promotions are alike either".

Segment Marketing = Focusing in on a specific market segment which allows a business to tailor existing products and services to meet the particular needs of those customers. This approach is beneficial by allowing a hotel design future products (packages, customised reservations service, etc) and pricing options to address the exact needs of the target market.

Market Segmentation

Market segmentation is "*the process of defining and subdividing a large homogenous market into clearly identifiable segments having* ***similar needs, wants, or demand characteristics***."

The reason for defining segments is to understand a hotel's different customer types including their reason for travel, price sensitivity, and booking lead times:

- Segmentation allows you to target and market to a variety of consumer groups with different behaviour with an offer that matches their needs and budget level.
- Segmentation allows you to tailor your strategy to precisely match the needs of different aspects of your market, increasing bookings, revenue and guest satisfaction.

Why Hoteliers Use Market Segmentation?

Market Segmentation

Hoteliers segment their market for a few reasons:

- Hoteliers determine market segments that best define their specific guests. Each booking is tracked to understand what types of travellers stayed with the hotel.
- Marketing campaigns are designed to target a certain segment of customers – the campaign can target the price and what is included in the price
- Market segmentation provides the framework for all hotel budgets, forecasts and systems to be built on.
- The Hotel's budget and forecast will include sales targets for each market segment
- Market segments are used to provide sales and marketing staff with targets for their sales for the month/year.

Benefits of Market Segmentation?

Market Segmentation

The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations, which make them easier for hoteliers to target.

So the benefits of segmentation is to defines the types, or groups, of customers for our accommodation property and then we can apply the following:

- **Creation of value for each segment** (research and define what will the customers in each segment believe is important, and what will get them to book with us)
- **Effective use of hotel resources** (time, money, people)
- **Effective Focus on each segment** (each group should have specified focus to ensure best outcomes)
- **Simplification of the product positioning** (make it easy for the segment customers to understand what your hotel / package / product offers them)

Why Does the Revenue Team Need to Know About Market Segments?

Market Segmentation

Forecast is created by the Revenue team using pick up trends indicators from each market segment.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Room Nights	893	1928	2903	3952	4974	5902	6840	7942	8937	9916	10949	11896
Total Net Revenue	$ 150,222	$ 320,664	$ 484,836	$ 692,805	$ 901,059	$ 1,079,120	$ 1,258,006	$ 1,460,070	$ 1,669,094	$ 1,846,856	$ 2,011,637	$ 2,158,927
Total Arrival Guests	633	1480	2285	3131	3949	4754	5460	6220	7074	7859	8754	9544
Total Stayover Guests	1328	2946	4391	6014	7589	9196	10710	12195	13836	15422	16952	18471
Corporate	419	911	1120	1345	1561	1741	1817	2025	2411	2792	3169	3505
	$ 68,658	$ 131,890	$ 182,155	$ 229,342	$ 276,456	$ 313,950	$ 328,865	$ 374,220	$ 458,684	$ 519,466	$ 580,130	$ 632,506
Corporate Negotiated	71	168	261	326	381	414	427	461	535	586	628	662
	$ 12,020	$ 28,524	$ 45,465	$ 58,198	$ 68,402	$ 75,828	$ 77,561	$ 83,059	$ 97,479	$ 107,844	$ 115,440	$ 120,917
Government	15	39	42	80	106	109	114	132	183	190	209	232
	$ 2,678	$ 6,404	$ 6,789	$ 12,959	$ 17,402	$ 17,950	$ 18,784	$ 21,971	$ 30,798	$ 31,960	$ 34,962	$ 38,416
TOTAL CORPORATE	504	1016	1423	1753	2048	2264	2358	2618	3129	3570	4006	4399
	$ 83,357	$	$	$	$	$	$	$	$	$	$ 730,533	$ 791,837
Conference/Meeting	4	4	6	7	7	7	7	7	7	7	7	8
	$ 646	$ 646	$ 1,003	$ 1,189	$ 1,189	$ 1,189	$ 1,189	$ 1,189	$ 1,189	$ 1,189	$ 1,189	$ 1,333
Group Other	0	47	118	135	135	168	168	208	208	210	225	226
	$ -	$ 7,903	$ 19,857	$ 23,169	$ 23,169	$ 30,579	$ 30,579	$ 38,501	$ 38,647	$ 38,973	$ 41,823	$ 42,003
TOTAL GROUP	4	51	124	142	142	175	175	215	215	217	232	234
	$ 646	$ 8,549	$ 20,651	$ 24,358	$ 24,358	$ 31,767	$ 31,767	$ 39,690	$ 39,835	$ 40,161	$ 43,011	$ 43,336
Leisure Direct	170	303	426	583	716	829	884	1081	1197	1267	1355	1407
	$ 31,948	$ 58,546	$ 81,860	$ 120,446	$ 149,338	$ 174,666	$ 207,183	$ 229,373	$ 256,079	$ 269,843	$ 287,601	$ 297,755
Leisure OTA	179	469	811	1342	1922	2431	3094	3661	4098	4537	5003	5466
	$ 30,639	$ 78,784	$ 137,044	$ 235,368	$ 352,603	$ 444,973	$ 553,864	$ 666,046	$ 758,129	$ 827,185	$ 898,025	$ 968,284
TOTAL LEISURE	349	772	1237	1925	2637	3260	4078	4742	5295	5804	6358	6873
	$ 62,587	$ 137,330	$ 218,904	$ 355,815	$ 501,941	$ 619,639	$ 761,037	$ 895,419	$ 1,014,208	$ 1,097,028	$ 1,185,626	$ 1,266,038
Domestic Wholesale	3	3	8	12	15	25	34	42	46	58	66	73
	$ 369	$ 283	$ 1,064	$ 1,836	$ 2,451	$ 3,556	$ 5,126	$ 6,269	$ 7,039	$ 8,384	$ 9,877	$ 12,080
International Wholesale	18	46	57	57	57	104	116	130	134	139	145	170
	$ 2,240	$ 5,067	$ 6,402	$ 6,210	$ 5,616	$ 11,996	$ 13,852	$ 16,712	$ 17,606	$ 19,272	$ 19,050	$ 22,742

How to Segment?

Market Segmentation

Elements to consider:

- **Geography** —region, size, population and climate
- **Demographics** —age, gender, lifestyle, income and occupation
- **Psychographics** —activities, social interest and values
- **Behavioral** —features, benefits, usage, loyalty and occasion

Who are they? Where are they coming from? When do they book? How do they book? What do they like

Market Segmentation

Step 1

- Identify the reason for segmenting your market (e.g. you have business customers and holidaying customers).
- Then develop a profile of each segment (e.g. Business people like free Wi-Fi and parking, leisure customers like breakfast included).
- It is important at this stage to implement the ability to track segmentation, which depends on 2 things:
  1. The hotel's Property Management System technology; if the PMS's functionality is limited or not utilised to full capacity, in terms of market segmentation coding, then you will be limited in your tracking and reporting.
  2. The hotel's staff, particularly in Reservations and Front Office. If personnel enter the wrong segmentation tracking codes on reservations then the old adage of "garbage in = garbage out" will apply.

Market Segmentation

Step 2

Develop a method to size each segment. Each segment should be large enough for you to focus your efforts on (eg: Return on Investment).

Step 3

Develop positioning for your target segments. (eg: Consider the grade of rooms suitable for each segment, their length of stay / lead time and then start developing your market mix for each segment.

Market Segmentation

A **market segment** must be:

- **Identifiable** so they can be measured.
- **Accessible** by communications and distribution channels.
- **Substantial** so that it is profitable and justifies the resources required to obtain and maintain them.
- **Actionable** and durable enough to maintain stability of cost and impact to profits.

A **source of business / channel** must be:

- **Accessible** to the general consumer
- **Measurable** by the hotel so that reporting and tracking will help in future yield and marketing strategies
- **Able to be marketed and promoted**

The Blurred Lines of Segmentation?

Market Segmentation

The traditional segments as originally defined by hoteliers are changing due to the realities and needs of today's changing marketplace.

Some emerging trends:

- **A change towards personalised pricing and products**, as opposed to pricing by market segment and source
- **Recognising and valuing the 'total customer value'** as opposed to the just revenue from this visit
- **An industry-wide change to segmenting people by personas** rather than by their reason for travelling or where they live

Market Segmentation

Why are we telling you this?

Hoteliers are finding that traditional market segments are less and less meaningful due to these changes in channels and consumer behaviour.

Reservations systems, forecasting systems (manual and automated) and Property Management Systems are all set-up to manage business by market segments

A hotel management team needs to be aware of changing trends and adapt (keep track of trends by reading industry news ie: eHotelier, Hotelmarketing.com).

Current Trends?

Market Segmentation

- The traditional classification of market segments has become much more difficult to apply and track accurately. This is due to the variety of **channels** through which hoteliers can receive reservations in today's environment, as well as the more advanced and/or complicated rate structures created by hoteliers.

- This means that the purpose or reason for traveling is no longer apparent to the hotelier based on the type of rate confirmed. **As a result, hoteliers have found themselves tagging each booking with the source of business as well as the market segment.**

Market Segmentation

The traditional definition of market segmentation includes defining clear categories of customer segments that apply your accommodation property. In addition to Market ***Segments***, we also define the ***Source of Business***.

- A Market Segment is based on the guest's reason for travel. e.g. Business or leisure travellers
- A "Source of Business" is the channel which the reservation is made.

You'll notice that some source of business seem to be the same or overlap on the Market Segments.

Market Segmentation

Source of business is now made up of few categories:

1. **Direct Non-commissionable:** Brand Website, Call Centre bookings
2. **Direct: Commissionable:** Metasearch and Google/ TripAdvisor bookings coming into the hotels own booking engine. Some hotels add 'Affiliates' into this category.
3. **OTAs** (Online Travel Agents)
4. **Wholesalers**
5. **Travel Agents - GDS**

"Segmentation is intertwined with Distribution so let's call it Business Mix

Market Segmentation – Business Mix

- People new to the revenue discipline are often confused about some terms hoteliers use. Some of these sound like they should mean the same thing so it's a good idea to look at this information closely.

- In the world of Revenue Management there is a clear and concise difference between a 'channel' and 'segment'. As a clear definition, **a channel is where the reservation comes from; a segment is the reason why they are coming.**

- **There other elements of business mix to consider……**

Market Segmentation – Business Mix

Business mix is made up of few categories:

- **Source of Business** (Direct, OTAs, GDS, Wholesaler, Metasearch)
- **Market Segments** (Transient, Group, Corporate, C&E, Internal)
- **Geo Source Markets** (International, Domestic, Regions, Countries)
- **Channels** (Expedia, B.com, Traveloka, Amadeus, Sabre)
- **Personas** (ie: Baby Boomers, Solo Travellers, Families, D.I.N.K.S)

Market Segmentation – Business Mix

Geo Source Markets

Source Markets are typically based on geographical boundaries, most commonly by country.

- So if your hotel is located in Bangkok, Thailand, your main source markets might be China, Indonesia, Japan and Germany.
- Whereas if your hotel is based in Dallas, Texas, USA, your source markets might be oil producing countries such as Australia, Great Britain and the Middle East, as well as other states within the USA.
- In most cases, your source markets will be different for Corporate travel as opposed to leisure travel.

Market Segmentation – Business Mix

Personas

You will also hear the term 'personas' used in hospitality, in particular as it relates to the digital marketing aspect of a hotel's revenue and sales strategies. Personas is a different way of segmenting your market. Often, your marketing team will be using personas to segment their campaigns,

Some examples are:

- **Solo travellers**
- **Spending singles**
- **Energised Baby Boomers (very marketing ☺…….energised??)**
- **Families**

We provide some reference articles in the online course portal for you to read and learn more.

So, What is a Good Market Segmentation – Business Mix?

15 Minutes in Groups

Market Segmentation – Business Mix

Example of recommended set up

Market Segmentation – Business Mix

Good segmentation – business mix is one that fits your hotel business trends:

- No cookie cutter approach to market segmentation
- Mix of segments, booking source channels, geo source, channels, Personas
- Allows you to forecast accurately
- Allows you to make meaningful decisions
- Allows you get a ROI on marketing initiatives
- **MOST IMPORTANT:** Allows you to Sell the Right Room to the Right Person at the Right Time on the right Date at the Right Price <u>(via the Right Channel)</u>
- Allows you to maximise revenue and profits

How Can I Optimize Business Mix?

https://youtu.be/SqmUdaNQaVY

Market Segmentation – Optimise Business Mix

- Use all data and information available to you to understand the picture / the story (eg: PMS Data, Pace Data, Travel News, Tourism Reports, Demand Drivers, Supply)
- Understanding guest behavior in terms of booking windows, channel preference, spend propensity, loyalty, stay duration and frequency of stays are all factors to consider. Who are they? Where they come from? When they book? How they book? **Why do they book my hotel?**
- Replicate what is working, discard what is not working!
- During periods of excess demand, it is important to ensure your focus is on attracting, accommodating and retaining your most profitable customers regardless of which segment their stay gets coded to on the P&L. In periods of weaker demand, it is important to offer customers relevant offers that will bring them in the door.

Market Segmentation – Business Mix

Work closely with Sales and Marketing

- The role of revenue manager and digital marketing manager is converging – a trend that will continue in the future:
- The challenge is creating smart campaigns that stand out AND align to your revenue goals
- **It's vital to tell the *right story* to the *right people* at the *right time***
- Psychographics can help you develop smarter, more targeted content
- Analyse Demographic and Psychographic data together to create buyer personas
- Personalized offers, targeted at your buyer personas, are a compelling way to drive bookings
- **Consider what motivates your buyer personas –** it isn't always price. **It is about Value for Money**

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