

The **MAJOR EVENTS** Strategy Playbook

A Hotelier's Guide to Optimizing Big-Event Revenue

By IDEaS Revenue Solutions

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Ready Your Offense & Defense

Major events across the globe—from the Olympics to the World Cup to the Super Bowl—provide area hoteliers unique opportunities to capitalize on increased demand and maximize revenue with huge potential rewards. However, if not planned and executed well, hotels may risk displacing existing loyal guests, and flawed pricing strategies could lead to a half-empty hotel and high rates of no-shows.

To properly prepare for a major event, hoteliers need to consider a variety of factors, including effective marketing and sales strategies, pricing, and forecasting as well as booking policies and restrictions. To provide guidance to hoteliers on how to plan strategically and maximize revenues when the big game comes to town, IDEaS conducted the following analysis and arrived at these findings and recommendations.

Play-by-Play Goals

Seize Opportunities & Avoid Pitfalls

- ▶ Forecast smarter and price with confidence
- ▶ Prepare for and evaluate increased group business far in advance
- ▶ Minimize cancellations, overbook with caution and maximize length of stay
- ▶ Amp up ancillary revenue streams
- ▶ Monitor often and stay agile



Perhaps unsurprisingly, given that the Olympics are perceived to be expensive to visit, data from London showed premium hotels had higher RevPAR growth over the Olympic period compared to economy hotels. Overall, the demand for lower-starred hotels was not as strong as expected, meaning the ability to forecast likely business by segment and identify the most valuable customers is critically important to economy properties.

The pricing strategies in the lead-up to major events must be carefully managed by all hoteliers, and the focus should be placed on maximizing RevPAR in line with the forecast. While an expected increase in demand on significant event days will allow rates to be driven up accordingly, this will not be the case on less significant days.

Key Strategies

- ▶ During busier days, a hotel can look to close out all lower-rated segments as well as sell room types as premiums, limit free upgrades and make the most of any upselling opportunities.
- ▶ Opportunities exist to leverage peak nights to drive length of stay and increase occupancy and revenue contributions for the softer shoulder days.
- ▶ On lower-demand days, restrictions should be relaxed so as not to discourage potential guests from booking.

“ In advance of the London Olympics, there was a lot of worldwide press about how hotel prices are being heavily inflated and how public transport is going to go into meltdown. What we found was that much of our regular business, especially corporate and groups but also transient leisure guests, decided to stay away over the Olympics in order to avoid these much publicized inflated prices and overcrowded transportation. ”

Robin Stangroom

VP Revenue, Reservations & Distribution
with The Set Hotels in London

Understand Booking Patterns

IdeaS' extensive research and analysis of the hotel market for London 2012 showed there was no clear business-mix strategy to guarantee success; however, most London hotels, especially those with large inventory, had a balanced transient versus group mix. Groups secured with decent average daily rate (ADR) at nine months before the event period built the base business at hotels, so hotels were confident in increasing rates for transient pickups and last-minute bookings.

In the lead-up to the 2012 Olympics, 270 days before the event period, group ADR dropped as tentative groups turned to definite or canceled. This was due to pre-event expectations being high, but then reality set in as group rates dropped. Reassuringly for premium properties, ADR and RevPAR of the sample hotels started to pick up again from 190 days before the event period as guests visiting for the Olympics began to book their stays.

Expect a Balanced Business Mix



Transient Guests Expand Their Booking Window



Depending on the type of event, the participants may not be known until much closer to the event date, so a hotel may not know the feeder markets until just before the actual event. To gain further insight into demand for guest rooms in the lead-up to major events, hoteliers should closely monitor leading indicators of inbound visitors, such as ticket inventory and ticket sales pace for events near their property.

Additionally, senior management within locally-based hotels should also create strong partnerships with the local organizing committee to monitor the incoming attendance for key events, which can act as an indicator of likely demand.

For a closer look at booking-trend data across hotel types, Ignition One's **"Hospitality Industry Report"** contains insights focused on four major US cities in advance of major events (see page 5 of the report).

“ As the booking window for this event can be far out, we had to ensure that any group wash would happen before the transient booking window in order to resell the inventory. ”

Robin Stangroom

VP Revenue, Reservations & Distribution
with The Set Hotels in London



Minimize Cancellations & Overbook Carefully

While hoteliers in other markets traditionally use overbooking strategies to counteract last-minute cancellations, major events deliver substantial numbers of potential new hotel guests and generally fewer cancellations from tighter booking terms and conditions.

Booking data from the London 2012 Olympics indicates that before and during the event, premium hotels' cancellation ratio was two to three percent lower than the same time period the previous year due to restricted cancellation and no-show policies.

Encouragingly for premium hotels in London at the time of the 2012 Olympics, last-minute pickup was also strong, meaning even if cancellations occurred, properties were likely to pick up new business from high-value, last-minute bookers. Unfortunately, this strength in last-minute pickup did not extend to all hotel segments, with economy hotels' occupancy dropping during the event period compared to the same time the previous year.

To minimize the impact of costly, last-minute cancellations in the lead-up to a major event, hoteliers may consider temporary policy changes.

- ▶ A pre-payment restriction plan will allow hoteliers to recoup a large slice of their potentially lost profits, which will then be complemented by last-minute fill-ins.
- ▶ A cancellation period of 24 hours could be changed to seven days, or even as much as 28 days, prior to the event.

Hoteliers will often be asked to contract a large portion of rooms for wholesalers and related organizations. This portion of contracted rooms can be as high as 90 percent of the hotel's available room inventory, presenting challenges as those rooms may be released back into inventory at a certain time close to the event, or at a time when the wholesaler or travel agency is not able to resolve their committed inventory. Hoteliers can address this situation by holding a chunk of rooms out of inventory for group sales to ensure they can accurately handle flux in their transient inventory.

2012 London Olympic hotels saw cancellations sharply drop.

3%



Evaluate Length-of-Stay Requirements

Over the course of the event—the extended period before, during and after—hoteliers can incent longer stays with special offers. Additionally, minimum length-of-stay requirements can be enforced to encourage longer stay periods and improve occupancy. However, these restrictions need to be carefully considered in the wider context of the event. If overly restrictive, they can put customers off.

For example, some hoteliers may seek to set a week as a minimum length of stay over the event, but depending on the type of event, some guests may only be interested in attending certain days or activities before leaving. Restrictive minimum length-of-stay requirements would result in these guests not considering that hotel and impact potential occupancy and revenue.

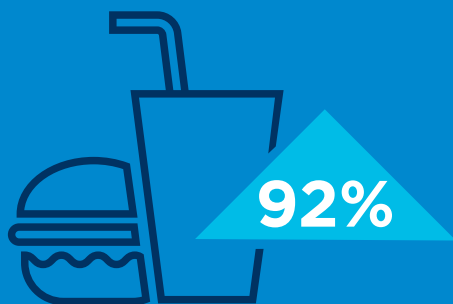
To address these issues, hoteliers should implement automated, dynamic length-of-stay controls using hurdle rates, or last room values, to vary the restrictions depending on demand. This allows more flexibility and adjustment as demand patterns fluctuate.



Maximize Ancillary Revenue

Using a forecast that can segment business accurately will help identify which customer segments to go after, inform strategies to increase ancillary revenues, and highlight opportunities for upselling rooms and services.

Data from the London Olympics showed premium hotels achieved a significant growth of ancillary revenue. In particular, high-end properties had 92 percent growth in food & beverage revenue during the event period and even saw a 33-percent increase post event compared to the same period the previous year. This presented local hoteliers with an opportunity to package restaurant offers along with rooms to increase the likely overall spend from guests.



2012 London Olympics premium hotels saw food & beverage revenue nearly double.

“ Visitors are coming to your city to soak up the atmosphere and the local culture, and locals will want to soak it up as well. Some ideas to bring the buzz into your outlets could be themed cocktails or dinner menus, Olympic-themed classes in your gym, or host a ticketed banquet with after-dinner speakers from the world of athletics in your function room. ”

Robin Stangroom

VP Revenue, Reservations & Distribution
with The Set Hotels in London

Create the Right Experience

Major events are also an opportunity for hotels to build relationships with potential repeat guests. Therefore, the importance of creating strong guest satisfaction over the course of their stay should be a key focus. For example, ensuring the front desk is adequately staffed with a service team able to manage international travelers' needs from foreign language help to assisting with transport, local attractions, cultural experiences and dining options.

In addition to creating a favorable impression with new guests, loyal customers should not be overlooked. Research from London 2012 showed most sample hotels set blackout dates during the event period which restricted relatively lower yield, contractually qualified business.

However, hotels need to carefully balance short-term business performance versus long-term relationships with loyal, frequent guests. No hotel wants to risk displacing a loyal guest for a new short-term value customer and sending ongoing business elsewhere for the long-term.

“ During the Olympics, you are likely to have a new audience staying in your hotel who perhaps haven't visited your city before. Even if they do turn out to be a one-off guest, make sure their stay is full of moments of surprise and delight so they share their experiences with friends and on social media. ”

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Manage Your Booking Channels

Third-party booking channels can form an important source of business for hotels, not dissimilar to loyal and repeat guests. Discussions with key distribution partners about the impact of the event and the need to drive performance are essential. This does not always mean completely closing out these channels, but finding creative solutions to ensure the hotel, distributor and guest can benefit from the resulting strategy implemented.

A strong, long-term partnership with distributors can be critical for many hotels in the lead-up to a major event and in the post-event period when business returns to more normalized booking patterns for the regional market.



Review Often & Adjust Your Game Plan As Needed

Hotel management teams should review their strategy at frequent intervals in the lead-up to the event, so any necessary tweaks can be made as required. By understanding the implications of a number of “what-if” scenarios, through forecasting undertaken at the planning stage, hoteliers can make changes to pricing, restrictions and segmentation strategies accordingly as the event approaches.

An Expert's Key Considerations:

- ▶ What is the event length (e.g., just over one weekend or an entire tournament)?
- ▶ Which days of week are impacted and does this mean additional demand on top of already good occupancy levels or “only” a much-needed bonus on lower performing dates?
- ▶ Where is the location of the hotel in relation to the event?
- ▶ How long in advance does the organiser want to block room allotments, and do they insist on a fixed “maximum” rate?
- ▶ Can the hotel get group business from teams, media, etc., or does the property have to rely on any individual visitors or other overflow?
- ▶ What is the time of year and the corresponding probable weather conditions?
- ▶ How large is the reach of the event in terms of visitor numbers?
- ▶ Where was the event held previously and was it a more/less popular destination than my own?

Monika Sand, corporate manager of revenue with Lindner Hotels AG, has managed hotels impacted by major events such as the Tour de France and 2006 Soccer World Cup. During the planning process, she uses the questions above to help formulate her strategy.

Related Articles:

- ▶ Super Bowl, Super Event
- ▶ Bridging the Industry
- ▶ Don't Let a Special Event Eclipse Your Profits
- ▶ Is Your Hotel Prepared for Major Events?

Game On!

Prepare a Winning Plan

Business Mix

- ▶ Determine the optimal business mix between transient and group by room type
- ▶ Build a strong group base with strategic cut-off and cancellation periods that keep in mind your transient booking window
- ▶ Keep your loyal base business happy

Pricing

- ▶ Conduct market analysis to understand supply and demand for the event
- ▶ Establish dynamic BAR pricing structure, flex rates by event days, room class, LOS and lead time
- ▶ Leverage tools to monitor your booking pace and competitor rate impact

Inventory Management

- ▶ Leverage LOS restrictions to drive occupancy on shoulder dates
- ▶ Understand true demand by room class/room type for upsell/upgrade management
- ▶ Ensure straight-line availability by moving reservations around during peak periods

Channel Management

- ▶ Drive low cost channels but respect long-term relationships with OTAs and wholesalers
- ▶ Develop relationships with event organizers and planners to better understand demand (and aim to become assigned as an official hotel)

Meetings & Events Business

- ▶ Prioritize groups with banquet spending
- ▶ Forecast meetings & events demand, then flex pricing
- ▶ Set free-sell policies for pure banqueting business based on lead time

Food & Beverage

- ▶ Create event-themed offerings and packages
- ▶ Restructure menus with focus on optimizing revenue per available seat hour and food options that cater to guests from different countries
- ▶ Measure table mix, meal duration and seating occupancy

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