

HOTELS AND THE CORPORATE TRAVEL SEGMENT

**How independent hotels, chains and brands
go-to-market in a complex
commercial environment**

Prepared for you by



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Every hotel is looking for a silver bullet to create demand and bolster their corporate traveler room night contributions. Revenues are typically higher yield, though not as much as pre-September 11 and the travelers tend to repeat visit.

The answers to corporate business development problems are found in a better understanding the motivations of companies, travelers and their various travel and technology suppliers.

We'll begin by answering the four most common questions hoteliers have about developing this segment. Then we'll walk through:

- ✓ 6 key drivers of travel procurement
- ✓ How program participation can benefit a hotel
- ✓ The Lanyon approach to building your corporate business.

Four common questions we often hear are:

Q. - Does technology make it easier to identify and acquire new customers?

A. - Yes, technology can significantly help a hotel or chain target prospects using critical criteria.

Q. - Does technology make it easier to negotiate with existing customers?

A. - Yes, technology can streamline communications and free up critical selling time.

Q. - Is it really necessary to make sales calls, go to trade shows and build customers relationships – or, do loyalty programs (CRM), e-marketing and alternative distribution (ADS), replace these older processes?

A. – CRM / loyalty programs provide a valuable option for reselling, cross selling and for extending value-added offers only to selected customers that have “earned” right to specials.

Q. - Do the alternatives offered by technology reduce the overall cost of sales & marketing?

A. – Yes, several important ways:

- **E-marketing lowers the cost of customer communication, keeps offers out of the view of the mass market & potentially your competitors, and this form of communication can be executed quickly with in-house resources.**
- **Alternative distribution and third party sites expand distribution, address consumers that are actively looking for hotel offers, help contain the cost of sales and they offer a cost effective way to address last specific dates or target needs.**
- **The role of the sales force in this new technology supported environment is more important not less important than a decade ago. Why? Technology has leveled the playing field and allows small chains & even independent hotels to compete head on with the major brands.**
- **The cost of marketing & sales can easily be increased with all the new options but that need not be the case. There are efficiencies for sales & marketing and so the first task is to reallocate the use of funds away from mass marketing and to reallocate sales activities to those areas that have measurable ROI. The biggest change derived from technology innovation is the ad hoc ability to measure, quantify, qualify and monitor. These give a platform from which hotel management can react and make decisions with greater speed.**

What are some economic and human factors that affect hotel choice?

1. Follow the money - Travel decisions are not just about hotels: airline costs, car rental costs and entertainment expenses also drive how companies make choices for approved hotels, in what cities. Central T&E expense management drives why most companies to develop travel programs, or work with agencies who provide back end reporting and compliance. Travelers who venture outside the approved boundaries can find their reimbursement requests denied.

2. Familiarity breeds return - The role of chain/brand hotel loyalty programs is a significant benefit to travelers. Companies of all sizes can exert influence over these programs – in some cases aggregating stay points for pooled corporate benefit, in other cases permitting travelers to retain points but only in approved locations/chains/brands.

3. Internal and External Roles - Hotel selection is influenced by relationships that are cultivated over time. Full time corporate traveler managers guide purchasing decisions. Others within an organization may also greatly influence hotel choices. Corporations may use mega agencies to provide soup-to-nuts purchasing management. Mega agencies may be limited to making recommendations only. Mega agencies may be used for their buying power in selected markets and not others. Here again the total travel buy can influence both corporation and agency behaviors.

Important note when selling:

a. Mega agencies DO NOT drive final hotel selection – the corporations they represent **do**. Mega agencies do, however, create a platform for rationalizing hotel selection, pricing and demand factors, and “select out” hotels who do not meet certain thresholds.

b. Corporations use multiple methods to fulfill their travel programs. They work with agencies and internal travel management teams – each of whom has and cultivates relationships to hotels/chains/brands through their sales staffs and representation companies.

4. Power is Local – Sometimes overlooked and taken for granted is the principle of local selling: look in your own backyard. This backyard can extend many hundreds of miles in less densely populated area, or it can literally be next door in major centers of commerce.

Inbound demand to hotels can be driven by external business factors pushing business to an area. Demand is also driven by factors that pull the business into an area. Local companies who supply good and services to larger corporations up the food chain can create a gravitational force on their customers. Examples of these include product demonstration facilities, heavy equipment sales, science based firms, companies associated with the arts (film, dance, theatre, and music) as well as *their* suppliers like attorneys, consultants, government contractors and the like.

Seasoned hotel General Managers in domestic North American markets are quick to understand that very high percentages of their business (and therefore their competitor's business too) comes as the result of local commerce either pushing or pulling the business to them.

"Passive selling" can be a disaster for hotel market development. Stated another way, and more positively, the extent to which sales leaders focus on and leverage the economic drivers into their communities, the more revenue potential they develop for themselves. Competitive factors like location, services, product quality, loyalty programs and reputation will ultimately blend to determine who wins the business.

5. Influence - Hotel chains brands utilize non-resident sales forces (i.e., national sales) to influence relationships and create opportunities for their hotels. The geographic focus of these sales organizations tends to be about the same, New York, Chicago, Atlanta, Los Angeles, Boston, Seattle, San Diego, perhaps San Jose/Santa Clara, Irvine/Newport Beach, Dallas, etc. Corporate travel managers in these markets may be called (in person, on the phone, emailed, and invited to a variety of social meet and greet functions) by 6 to 20 key hotel representatives. In the mature markets it is usually impossible for a hotelier from say, Des Moines, to get an appointment to see these customers. What drives customers to technology suppliers like Lanyon is a diversity of hotels and hotel types, in key cities, and often on a global presence.

6. Diversity - Multinational companies have additional challenges since very, very few exhibit homogenous practices in their hotel purchasing regimen. Typically they segment into areas or regions of common practice. Which of course means uncommon practices across other areas/regions or divisions. Diversity becomes the standard. Hotels can advantage themselves by deploying sales efforts against the right people in the right areas. Again, finding out what is "right" is a function of local market awareness.

The importance of participation

Hoteliers understand that in order to play in any given segment there is some logical point of entry. One of the points of entry to the corporate travel segment is aligning with providers of travel services (Consortia) and companies appropriately based upon their niche. Simply stated fish where the fish are – if the business exists in your local marketplace already you have an opportunity to steal share. If the business doesn't exist it is unlikely you'll persuade travel services providers or companies to reengineer their operations to suit your needs.

- Participating in the relevant opportunities that exist for your locale is essential. Next you have to reach the travel services providers and companies in the right way, when they want to be talked to.
- The best way to reach people is to work through *their* processes for soliciting products and prices. This varies somewhat in specifics, but generally beginning in late summer through fall of each calendar year.
- One of the most important corporate travel processes today is the use of automated, or web based, bid exchanges. This give-and-take has always existed in personal negotiations but the scope and scale are now different, and are supported through technology. Travel Managers buy larger numbers of hotels, in many more locations than ever before. Room price alone is not along in influencing choice: amenities, security, availability of services and the cost of those services (like high speed internet access) are blended to reveal the best market value. Sales deployment and customer choice are complex issues and automation is the de facto standard way of addressing them.
- Unsolicited bids and reverse auctions are considered by most corporate travel managers and their consortia travel providers as undesirable. The intended effect of gaining exposure is not achieved, and corporate travel managers are quick to disregard them.
- There is no guarantee you'll grow your revenue by participation alone. That would be like suggesting that suiting up for a baseball game is enough to win the Pennant. But you must be "game ready", and participation with the right organizations is the first important step. Revenue growth derives from all of the things for which you have operational and managerial expertise: value, quality and service.

So what does Lanyon deliver?

And what do Lanyon competitors "say" that they deliver but do not?

As we described above it's much more about how a hotel goes to market than about what technology tool the use to execute. The tool is the exponent of processes that support gaining market share. No technology RFP provider is capable of delivering corporate business to any hotel. It just doesn't happen. Hotels can naively be led to believe that they should submit unsolicited bids to corporations. But given the sophistication of the marketplace and players in it, the evidence is compelling and clear: unsolicited bids do not grow market share and do not increase room night contributions. It is a placebo effect: some hotels want the process to be more passive and not require deployment and selling; they want to believe the internet is the source of their business; they want a simple unsolicited bid to yield fruit in a very complex vineyard where so many factors bear on the results; they want to believe, in the case of some independent hotels, that anything is worth doing that positions them more prominently on the stage alongside other bigger chains/brands.

Unfortunately for these hotels the effect is not positive, no incrementally is achieved and revenues do not grow. Further working against hotel ownership is staff turnover. The sales director who perhaps made the initial choice is often not there in 18 months to witness the poor results. "Sales memory" is very short in these settings and it is one reason long lasting results are so difficult to achieve in some independent settings.

Corporations use Lanyon today in large measure because -

- Data quality is maintained at the highest levels.
Reduces problem resolution, increases reporting accuracy and lowers costs.
- Reliability.
99.98% uptime contributes to a sense of well being for corporate managers. Automated processing is never relegated to manual intervention – ever. Annual over 350,000 bids flow through Lanyon systems, without delay, and without intervention.
- Best practices.
The processes and learning from 750 corporations, 24 Global consortia and 20,000 hotels come together in one set of tools that use and extend NBTA standards.

Conclusion:

No technology provider can do your selling for you, and none can deliver corporate business to your front desk without a strategy and sales deployment plan in place. But Lanyon can support your plans with the most advanced solutions available in the industry. Our current customers are proof of these statements.