

## From share of RevPAR to share of wallet

Hoteliers spend much time and energy in the continual drive for RevPAR penetration – building share of the market.

Leading hotels contribute data to, and receive data about, competitor sets constructed by firms such as The Daily Bench, STR, Deloitte and MKG. And, at one level, this is good stuff – the drive to build share of a market is a drive for relative value and is a far more valuable exercise than a simple drive for increasing occupancy, or drive for increasing average rate.

But it cannot be a goal in itself, for it demands a further step – not only is it mandatory that the hotelier or hotel brand marketer drives for an ever increasing share of market, but also the hotelier or hotel brand marketer must drive for an ever increasing share of each actual and potential customer's share of wallet. The goal must be to persuade existing guests and customers to spend more and more with us on each stay, to persuade existing guests and customers to stay with us more often and to attract new guests and customers to trial our products and services. Building share of wallet enables us to realise a continual growth in the market and thus sustain or grown our share of the market.

For a hotel or a hotel brand to achieve this requires a bond to be created between the customer or guest and the business; the customer has got to feel the passion that the business has to get closer to him or her and to truly better serve him or her with products and services that meet real needs.

Historically, this has proven difficult to achieve in many hotels – small hotels where the owner operator greets each arriving guests have been able to get under the skin of the guest and some brands have gone to extraordinary lengths to create a culture of guest need recognition. But, for the vast majority of hotels, the simple truth is that the volume of daily check-ins and daily check-outs has meant that this goal has evaded the industry.

Technology is, however, finally coming to the rescue and it is now perfectly possible for a mid-sized hotel or a mid-sized hotel brand to implement a system that enables one first to understand and then serve true guest preference. There are now applications that enable hotels to collect transactional data stored in the PMS, POS, reservation and other systems, interrogate the data to identify behaviours and use the knowledge to develop more efficient and effective marketing products and sales programmes.

There are very significant process changes that come from a paradigm shift from segment marketing to one-on-one marketing. Change in process is driven by investment in hardware, software and implementation training. To support the proposition that a hotel or a hotel brand should make this journey, at Hotel Solutions, we use a model that is anchored in the belief that value is driven upwards in any or all of four dimensions:-

- customer management - *increase number, length and value of customer relationships*
- brand management - *drive customer demand*
- new product development - *develop offerings to targeted customers*
- operational effectiveness - *maximise the bottom line*

Our model enables hotel and/or brand management to explore and quantify the value that can be expected to be derived from each of almost 150 separate processes that underpin each of the above four drivers of value.

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We assist executives focus on the ten or fifteen processes that can be expected to add the hardest value – we use them as the key performance indicators of the project – and we suggest that the other processes will also add soft benefits. In any one brand or hotel, a renewed focus on meeting true customer needs will reveal a unique finger-print of processes that can deliver the value.

It is this model of revenue upside or cost opportunity which we then use to evaluate the supplier's proposition of incremental capital and revenue costs. The discipline of the process protects our clients from being blinded by the over-zealous sales person, through use of a robust methodology for investment in technology and change management.

In conclusion, it is finally possible to believe that this industry can become guest and customer focused and, that in making the changes that get us there, we do so in a shareholder friendly way.

**END**

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