

## Digging yourself out of hole



**Costs need close attention at all times, not just in this current tough economic climate.**

**Take marketing for instance.**

**For independent hotels in particular, which are fully responsible for their own marketing costs, our work has shown that there is frequently scope for a more formal approach to marketing expenditure.**

Work we have done in conjunction with management teams has resulted in savings and efficiencies which have paid handsome dividends.

The basis of the approach is to work exclusively by market segment in determining the need for marketing actions/expenditure, the potential returns from effort and expenditure, and the subsequent evaluation of the activity. All too often the failure to follow this approach has resulted in substantial wasted effort and cash.

A hotel can have a large number of market segments and each one is different in terms of need and potential. Out of the many things a business wants to do to market itself, it must identify those that are going to provide the best returns. This can be a lengthy exercise the first time around and outside help can be a useful catalyst (or vital driver in fact). It does get easier over time, as many of our clients will happily admit to.

### Segmentation

The starting point is the accurate segmentation of a hotel's revenue, usually separating room revenue from F&B because of the greater conversion to bottom line of the former. (The number of times we have listened to a management team's plans for promoting Valentine's Night dinner or Sunday lunch without having worked out what it would mean in terms of bottom line is extraordinary.)

Each segment must be assessed for what it can contribute to the business and the extent to which it deserves effort and/or cash. The main criteria are as follows.

- The total value of the segment - how important a part of the business is it?
- The 'health' of the segment itself - is it growing or declining for the region or country as a whole?
- How do you stand competitively to get more from the market? Honesty is often needed here to determine if the product you have is adequate to take a bigger share of the market from your competitors.
- How much do you think you could grow the segment - set a realistic volume/ revenue target?
- How easy is it to influence the segment - how much time and money is needed to achieve the target you have in mind?
- Is there a realistic relationship between the target and the cost of achieving it? Could time and money be better spent on another segment?

This may sound both obvious and simplistic. In fact, it is neither. So many hotel businesses that we work with have sales and marketing plans that cannot be justified on these criteria. Actions are repeated year-on-year without any robust assessment of their value and time is spent pursuing markets of low value and low potential. Senior management is often focused on operational areas and do not challenge substantial areas of marketing spend.

This requires a disciplined approach and a fair bit of effort in the first instance - but it is well worth it in the end.

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