



# How dynamic is your hotel program?

**The industry isn't static;  
your approach can't be either.**

It used to be fairly straightforward to book a preferred hotel. You negotiated your deals. You could count on them. But those days are gone. Increased sophistication in hotel yield management has created an environment where rates, amenities and availability are always in question. And hotels themselves now go to business travelers, which, in essence, cannibalizes negotiated deals.

The landscape of hotel sourcing has changed. Corporate buyers now have to contend with challenges like supplier consolidation, fluctuating rates and business travelers that act like consumers. The industry isn't static, so your approach can't be either. Your ability to integrate a dynamic approach into your hotel program management strategy has never been more important. But what is it, how does it work and how do you get started?

Read on.

## Hotel sourcing is changing—and will continue to change.

No one likes the once-a-year RFP process. It's a drain on resources and the burden of the hotel sourcing "season" can negatively impact other travel program priorities as your focus shifts primarily to hotels. But that's not where the drain stops. This process is also extremely inflexible and inefficient in a rapidly changing hotel landscape. It no longer works. Today's environment requires you to be flexible, dynamic and as quick as the industry itself. What contributed to this new hotel landscape?

- Emerging technology has given the market greater visibility. We've all felt the impact of technology on our lives, and that includes the impact it's had on our travel. Technology influences all stakeholders across the travel cycle—suppliers, corporate buyers and travelers. From a hotel perspective, data is readily available on everything from spend and average daily rate to preferred amenities and satisfaction. And this data can be used by suppliers, buyers and travelers alike. The combined capabilities of data and technology have made the hotel industry a quickly evolving arena.
- Business travelers have become consumers. Even though they're traveling for business, they want a similar travel experience as if they were traveling on vacation. They want access to a variety of properties and rates so they can choose which works best for them and they want tools that provide the best experience when they book their reservations.
- Revenue management. Hoteliers have been using technology and yield management techniques for years. But the speed in which they're applying these has increased to a point of "hyper-yield" management, and that makes things more complex. Rates fluctuate daily or hourly at many properties. Hotels continue to change room definitions and rate categories, which makes negotiations a moving target. Cancellation policies get more and more strict. And then there's the question of whether LRA (Last Room Availability) really means LRA and whether LRA applies all or only some of the time.

These factors drive the dynamic hotel environment we're in. And they're the reason once a year strategies don't work anymore.

### How do you change with the hotel landscape?

#### Keep an eye on the target

Give yourself visibility into how your program is performing by setting up Key Performance Indicators (KPIs) across multiple areas. You'd be smart to have a dashboard that includes KPIs around compliance, coverage, savings, comparison against BAR (negotiated and booked) and rate availability.

Monitor your hotel category strategy and your KPI dashboard frequently. Ongoing tracking and monitoring of your program and supplier performance ensures you can identify opportunities and make adjustments throughout the year.

#### The speed of (hotel rate) change

New York, Houston, and Paris preferred rates have decreased from 2016 to 2017. Markets like Chicago, Atlanta and San Francisco have seen an increase in rates, but the rate of growth has been much lower than in previous years. And markets like Shanghai and Beijing have experienced higher preferred rates year-over-year after a decrease in prior years.

Understanding how rates fluctuate in each market, both from a day-to-day and year-to-year perspective, is important to your hotel strategy.

## Conduct audits beyond rate loading

Supplier actions can actually drive a decrease in your program's hotel attachment and compliance. If your negotiated rates aren't loaded properly or available to travelers for booking, they can result in travelers booking outside your program and at higher rates.

Look at the properties where you have a preferred rate and conduct frequent rate audits on those properties. When your properties go unchecked, you miss out on savings because on average, up to 30 percent of properties are not loaded correctly when you first implement your hotel program. Rate availability audits and Best Available Rate (BAR)/market rate audits go beyond the typical rate loading audits. They help you understand whether your negotiated rates are readily available to your travelers, look ahead to when they might not be available and determine whether the rates you have are competitive.

Don't forget to check all your data sources. On average, 50 percent of hotel stays are booked outside corporate travel programs. If you're looking only at your travel data and nothing else, then you're looking at only half your spend picture. Identify and tap additional data sources that will help you look at close to 100 percent of your total spend before you start making adjustments around your overall performance.

## Manage dynamically

Market fluctuations carry both promise and curse. By applying the right strategy throughout the year, you can seize opportunities and minimize damage. Get insights from your KPI dashboard and program audits to develop an action plan to improve. You may want to reach out to an expert to help you analyze your results and recommend key steps to take in your top areas of opportunity. They can advise when it's in your best interest to:

- Add a hotel
- Remove a hotel
- Renegotiate with existing hotels
- Establish a chain-level discount

Monthly analysis enables you to stay on top of the market and your program performance. It gives you the backup you need to renegotiate or adjust properties and markets. And it means you can benefit from market and rate fluctuations.

Your annual sourcing process can coexist with a dynamic way of managing your hotel program. The sourcing process is not going to go away anytime soon, but it will evolve in a way that makes it a smaller piece of the puzzle, where everything else will coexist around it.

Market Rate Audits give you information at both property and market levels. Check the average variance between the preferred rate and the Best Available Rate (BAR) at a property level, and then look at them on a market level. If you see that the variance between the average preferred rate and the average BAR rate in a property or market is not where it needs to be, that should prompt you to look for a different strategy.

## What does Dynamic Performance Management™ look like? A case study.

A financial services client has \$9M+ global hotel spend with approximately 150 hotels in the program. They have implemented Dynamic Performance Management, using hotel performance dashboards, rate availability audits and BAR/market rate audits.

On target to achieve 80% compliance, \$158,000 in savings and nearly \$500,000 in cost avoidance.

We focus on their top markets, which account for about 60% of their total spend. On a monthly basis, we first review this client's KPI dashboard to uncover unfavorable performance areas. These help us prioritize and target our efforts for the best return. We compare what our client's travelers booked against what they negotiated and the best available rate. We also analyze the rate availability audits to compare the negotiated rates with the rates showing available for the date checked. We look for trends and anomalies. When we see unfavorable performance, we drill down to a property level to identify the cause, whether a rate loading, amenity, rate competitiveness or availability issue. Once we identify the cause, we recommend a course of action. We conduct a monthly review, develop recommendations and work with our client to correct. The plan is then actioned and measured.

Compliance improvement is very important to this client, as well as understanding why compliance might be lower than it should be. At one point in the program, we saw compliance lag and discovered it was because the negotiated rate was not available for booking. Our client met with the offending hotels to ensure the negotiated rate would be available to their travelers as expected. They also developed internal initiatives and communications to help boost traveler engagement.

This client has improved their compliance from 71% in 2015 to an anticipated 80% in 2017. They expect to achieve approximately \$158,000 in savings and nearly \$500,000 in cost avoidance. Next up: using the data we review every month to implement rate caps in select markets to help keep costs down.

It's a collaborative relationship. Together, we combine data, analysis and insight to quickly identify savings opportunities and then develop a plan of attack to reap those savings. It's a proven way of taking advantage of a changing hotel marketplace.