

Hotel Business Review

A weekly online journal of best practices in hotel management and operations

Sales & Marketing

"Thriving" and Just "Surviving" in a Depressed Economy: Tips for the Independents

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After almost fifteen years of "feast", the depressed economy, worldwide, has contributed to a dramatic drop in demand and many hotels are operating at significant losses. To respond to the changed conditions, most hoteliers lowered rates and reduced expenses. Although that is a necessary short-term strategy, on its own, it is not enough to generate profits and to compete with large chains and brands that have the greater financial resources and staying power. The shared costs, bulk purchasing, and centralized functions contribute to greater profitability opportunities. In addition, marketing costs associated with promoting the chain can be spread out over all the properties, driving down the costs per property while at the same time, ensuring maximum exposure.

So how can an independent hotel with limited resources, successfully compete? The key is to play your strengths as an independent that the large chains do not have i.e. greater flexibility, faster turn-around time, and more direct contact with guests.

This, in turn, will drive revenues, increase market share, and foster customer loyalty. It's never too late to set the stage to increase business.

Local Presence

Sometimes, the most obvious ways to get business are over-looked. Being a good neighbor and a good community member is what an independent hotel can do most naturally and cost effectively, with a distinct advantage over the chain hotels based outside of the community. Developing good will in the local community can pay off in dividends. Who is better at recommending where to shop, where to eat, and where to stay than the people who live there?

Obviously, in a crisis, the independent hotel should be first to help in any way, as they are an integral part of the community. In New York City on September 11, 2001, a downtown luxury hotel opened its doors and organized a program to offer rescue workers meals from New York City's top restaurants, 24 hours a day. And recently an independent luxury hotel in the Bahamas opened its doors to workers and community members who had lost their homes in a hurricane and made a cash donation to assist in rebuilding homes. These gestures did not make the national news, but local residents certainly took note.

But, outside of a crisis, there are many opportunities to establish good will in the local community. Supporting fund raising for schools, police and fire departments; offering training programs or language programs to its employees; and organizing community events are just a few ideas. Many of these initiatives can be supported with "sweat equity" and little cash outlay, and will help the independent hotel establish itself as an integral part of the community.

The independent hotel certainly has a vested interest in creating and participating in a community that is sound economically, socially, and culturally. The chains are not so dependent on the strength of the community, as they can pull out and move on in tough times.

Therefore, by integrating itself in all aspects of the community and by being a good neighbor, the independent hotel will have a strong competitive advantage over its national competitors in all market segments i.e. weddings, social functions, business meetings, and corporate and leisure business.

Web Site

The internet is without doubt the most cost effective means to reach potential customers and is the great equalizer. High profile hotels, large, small, independent, or chain-affiliated hotels, all have the same opportunity on the internet when done with expert planning and implementation. The independent hotel, when its web site is expertly optimized, will receive as much "air time" as the chain hotels. And independent hotels, with limited resources, do not have to rely on anything other than the internet to have potential customers find them. It is important design a program that can easily be upgraded to stay current with trends and technology. Properly developed, executed, and maintained, your web site will effectively reach local, domestic, and international markets.

Great Service

Another cost effective means to compete, drive market share, and maintain customer loyalty is to consistently offer great service. Great service, not average service, can overcome product deficiencies and rate resistance, and is one of the strongest competitive advantages of independent hotels. Without some restraints imposed by the bigger hotels companies, the independents can empower their staff and encourage their employees to truly go above and beyond which ensures guest satisfaction and guest loyalty.

Hiring warm and service-oriented people is the number one ingredient. Without that, no amount of training or service standards will result in the desired result i.e. offering guests great experience. No one is fooled by unsympathetic and uncaring staff, even if all the right notes are hit. It's really the spirit of the employees that will transcend product deficiencies, competitive disadvantages, and marketing exposure. The same amount of money is spent on a caring employee as an uncaring employee, so why settle for less?

Clean up; Fix up; Paint up

You knew spring had arrived when your parents handed you a broom, a rake, and a paint brush to get the 'ol homestead in tip top shape. Now is the time, when business is down, to bring your property to exceptional levels of cleanliness and maintenance. Continuous periods of high occupancy create lots of wear and tear on a property and taking rooms out of inventory for maintenance and deep cleaning is most likely not an option to most owners or managers when demand is high. During the feast periods, guests will pay the going rates just to have a room and will accept it in almost any condition rather than forgo the business trip or family holiday. But, as we know, once occupancies start to fall the tide will turn and hotels will experience a "Buyer's Market". Those properties that had noisy air conditioners, stained carpets, or slow shower drains, will find themselves eventually making the investment to be competitive. Therefore, set up a program to clean up, fix up, and paint up. Keeping your property in exceptional working order it is not only more cost effective in the short term, but also ensures guest loyalty which translates into revenues.

Technology

Technology advancements have allowed a property greater ease and efficiency in dealing with customers in areas. We know, too, that maintaining the latest equipment is a major expense. The days of telephone as a line item on the P & L Statement are long gone, as now, free domestic phone calls in guest rooms are becoming the standard. As guests travel with iPods, cell phones, and lap tops, the demand for the latest technology in-room is great. So, it may be wise to evaluate your property and the needs of your customers to analyze the caliber of your technology; research what is available to you; and decide what, if any, areas should be upgraded for you to remain competitive in the marketplace.

Direct Sales

The cost of a direct sales effort can typically represent 50% of the marketing expense budget, with most of the expense in labor and benefits. When business declines, this is a key area that is evaluated to ensure that there is a return on investment. Many times, there is no direct sales plan in place. Sales people meet their targets because of the great demand and there is little, if any, proactive sales approach to ensure that there is a database of potential business that is well-qualified based for present and future business. So take the time to establish systems and procedures to foster good sales habits and work ethics to ensure that you're getting the best ROI from your sales people.

It's never too late to address key issues which will result in your property's successfully competing with the large chains and brands. A realistic evaluation, good plan, and timely implementation will allow the owner or manager to achieve revenues regardless of market conditions.

Brenda Fields, ISHC, currently serves on the Americas Board of Directors for HSMIAI, is Immediate Past President of the Hospitality Sales & Marketing Association International in NYC; was named one of "The Top 25 Most Extraordinary Minds in Sales and Marketing" by HSMIAI for 2007; awarded the "Best of the Best" by HSMIAI in 2006 as Chair of the Awards and Recognition committee; is a member of the Editorial Board of HotelExecutive.com; contributes regularly to international publications Hotels Online, Hotel Resource Weekly Network News, eHoteliers, and 4Hoteliers; and is a member of the Real Estate Board of New York. Ms. Fields can be contacted at 518-789-0117 or brenda@fieldsandcompany.net.