

Opinion

Sales Incentive Plans: Hotel Owner's Friend or Foe?



By Brenda Fields



Ensuring that the sales team is highly motivated and productive is an ongoing process, regardless of the size or type of hotel property. There are many ways to ensure success, one of which is incentive plans. But, to achieve the desired results, it is important to know that when it comes to incentive plans, one size does not fit all. Effective incentive plans take on many shapes and sizes, depending on the needs of the property and the business mix of the property. And as a note, an incentive plan does not replace skilled sales managers working in an organized, professional, and strategic manner. It should be the icing on the cake to ensure that good sales people are going the extra distance and have added motivation to prospect, overcome customer objections, and effectively handle product or service deficiencies.

This article will address key components to consider in customizing an effective plan which motivates and rewards the hotel sales manager and/or sales team and at the same time, produces the optimal financial results for the property.

Key Points to Consider and Questions to Address:

A hotel room is a perishable product.

Unlike other products, a hotel room has a very short shelf life. What we don't sell today is forever gone. Conversely, if demand exceeds our inventory, we cannot produce more rooms to sell. Therefore, the key is to sell effectively on a daily basis. Another factor is that hotel rooms have varying values depending on demand patterns. The same room can sell for widely different rates depending on the day of week and season. Selling rooms in peak season usually is a function of "taking orders" rather than excellent sales skills, which is required in persuading a group to book your property over another one in a buyer's market.

An effective plan is one which motivates and rewards the individual and or sales team for great achievement and at the same time, produces the best financial results for the hotel. Rewarding a team to book business which actually displaces revenues happens when a basic understanding of your business goals has not taken place or the strategic plan was not well founded. So, before going forward with a plan, it is important to assess the following for your hotel.

- **What are your revenue objectives?** If your rooms budget was zero-based and if you have a firm understanding of your market conditions and competitive set, you are in a great position to identify your needs and objectives. Is the objective to obtain occupancy regardless of the rate or is it important to achieve a high average rate at the expense of occupancy. Is it a priority to sell banquet space along with rooms or is room sales the priority? These answers will help lay the foundation for your sales incentive and help determine if it is more effective to base the incentive plan on room revenues, room nights, average rate, and catering revenues, or a combination. There can even be several payouts, weighted based on the priorities.
- **What is your mix of business and what are your booking patterns?** Understand the mix of business for your hotel. What are the natural markets and what are additional markets to tap into? Transient and group business have different travel trends as well as different booking patterns. Transient business is usually booked 5-10 days out; corporate meetings are booked approximately 1 month-3 months out; while association/convention business is booked 1-5 years out. Each segment also has its own travel trends, which many times coincides with peak seasons and peak days of the week. Transient business is less quantifiable than meetings, as "potential" is determined upon opening an account and may or may not actualize. Therefore, transient goals could be established based on a combination of new accounts opened with a specific room night

potential and room night production. Group goals can be established with a combination of monthly booking goals and group production. Understanding these patterns will help establish realistic goals for the sales incentive.

- **Do your sales managers have sales call goals, entertainment goals, new account goals, and client site inspection goals?** An effective plan incorporates the above goals. This insures that sales managers are prospecting for new business and maintaining and developing existing business. An incentive plan that is just based on booking goals can reward a sales manager for only booking business that they inherited or business that was handed to them. After awhile, this cycle stops and there is no new business. By establishing sales activity goals and requirements and by making them part of the incentive plan, the owner/manager is protecting his/her investment and long term financial objectives.
- **Group goals vs. individual goals?** If it is important to remain flexible with unpredictable market conditions or in a new property with no history, it may be more effective to set up group goals as opposed to individual goals, and tie the goals into overall rooms revenues as opposed to just the sales segments. This allows a lot of give and take with all the segments and focuses on what is ultimately best for the property. Or if the property is stabilized, individual goals could be set to reward top producers to focus on specific need periods.

Putting the sales incentive plan together:

The best plans have checks and balances to meet short term objectives while ensuring that a foundation is laid to achieve long term objectives. One way is to ensure that booking goals are tied into goals for business consumed and that group cancellations and group pick-up are factored into booking goals.

- After an analysis of your financial needs and objectives, you can then determine:
 - Incentive qualifiers (examples are meeting sales call goals, site inspections, competitive updates, etc). Including qualifiers, places emphasis on sales activities which will continually generate new business
 - Incentive criteria/eligibility (For example, when is a new sales manager eligible for incentive and what are the conditions of payout?)
 - Booking goals

- Consumption goals
- **Determine a payout schedule.** Establish a schedule which will keep the team motivated, while at the same time protects the overall financial objectives. Quarterly payouts can motivate the team because of the frequency of payouts. By tying it into an annual payout, the team will remain focused on making up for revenues not met in order to achieve an additional payout.

With these tools, owners and managers are in a good position to create and implement a sales incentive plan which motivates and rewards excellent sales efforts while achieving short term financial objectives and providing insurance for long term financial success.

This article was published with the permission of its author and Hotel Executive.

About Brenda Fields | In her more than 20 years as a marketing and sales pro in the hospitality industry, Brenda G. Fields has emerged as the “go to” sales and marketing consultant and for independent and/or privately owned hotels and resorts seeking real-world solutions for today’s market challenges.

From small boutique hotels to large convention properties, Brenda has created and implemented highly successful marketing and yield management programs that enable owners to achieve target results despite market conditions.

With a “who’s who” roster of clients, Brenda has worked with a number of industry leaders and real estate investment companies including Starwood Lodging Corporation, Vornado Realty Trust and Planet Hollywood, John Hancock Mutual Life Insurance Company, Olympus Real Estate Corporation, and Apple Core Hotels, among others.

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