



DIGITAL MARKETING CONFERENCE

A Commercial Strategy Event



23rd August 2023 | PHUKET THAILAND

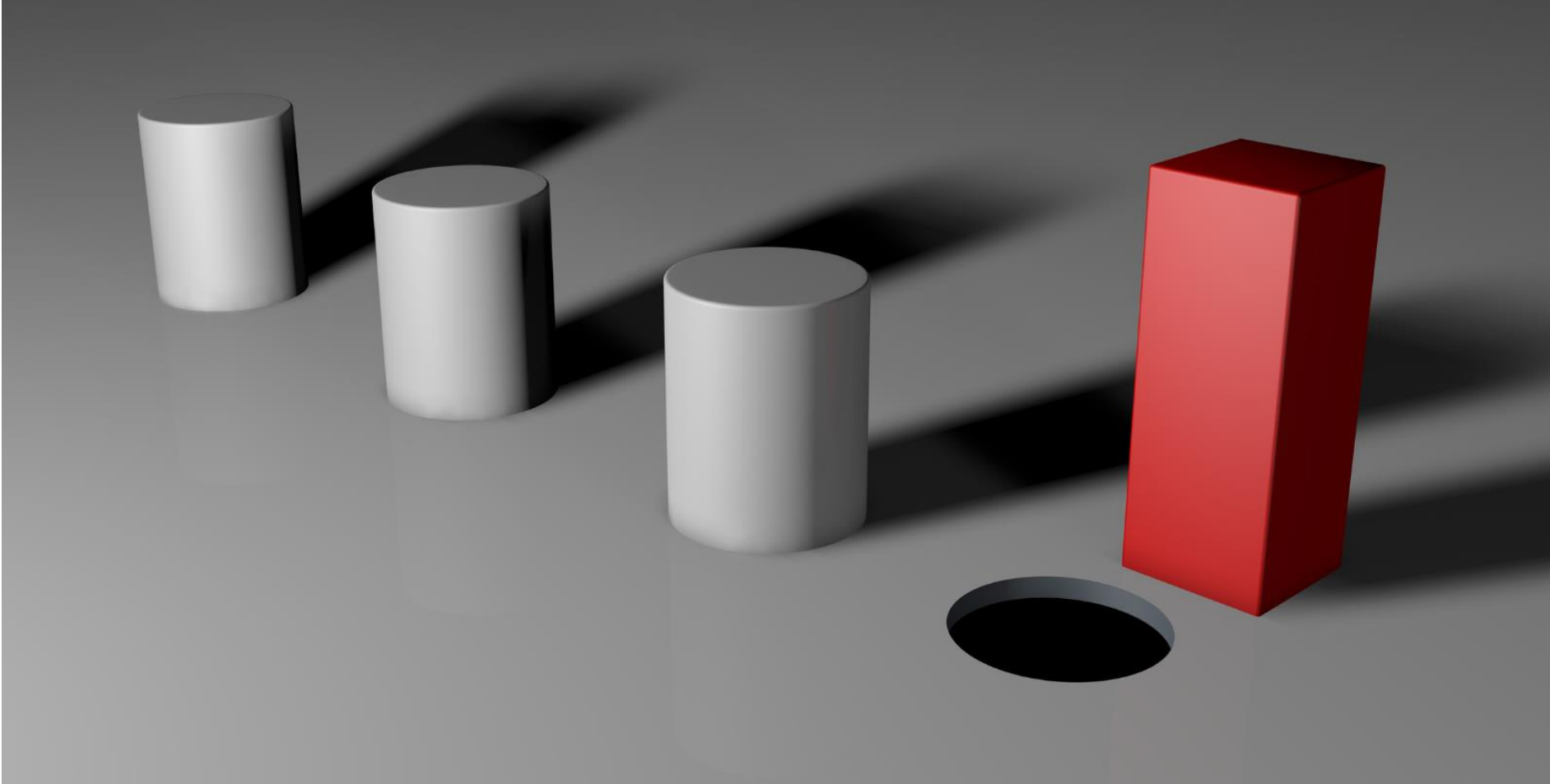
A Strategic Approach to Budgeting **AT**



DIGITAL MARKETING CONFERENCE

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23rd August 2023
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TRADITIONAL PROCESS

SITUATION

- Hotels start their budget by **jumping straight to the figures** (Occupancy, ADR, Revenue)
- Budgets are **focused on internal measures** (year on year growth of Occupancy and/or ADR) instead of external measures of success.
- Budgets are **done in isolation** by revenue managers.

CONSEQUENCE

- **Strategies and target segments are an afterthought** to the process
- **Missed opportunity** to reflect Threats and Opportunities from market change, and leads to inaccurate projections
- **Sales, Marketing and Operation must wait for the top line to be finalized** before contributing to the budget

STRATEGIC PROCESS



Adapted from: *Playing to Win*, Lafley & Martin, 2013

STEP 1. SET YOUR GOALS



Overarching goals for the business

- **Linked to the market and competitive set (RGI, Positioning, Online Ranking, GOPAR index)**
- **Considers the key stakeholders (Owners, Employees, Customers)**

Example:

Be the leading [hotel class] property in [location] as measured with an RGI exceeding [RGI target], a GOPAR index above [GOPAR index] and online reviews above [key competitor(s)]

STEP 2. DEVELOP YOUR STRATEGY

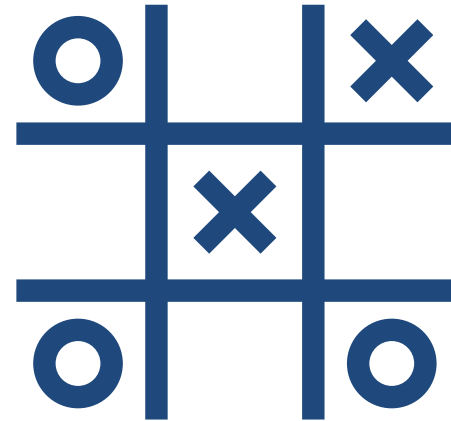
High-level, long-term:

Who are you targeting?

How will you attract your target market?

Involve GM and Sales & Marketing

Focused on key segments or geo source



WHAT IS A STRATEGY

“The essence of strategy is choosing to perform activities differently than rivals do.”

- It is a set of decisions, on who to target, and how to attract customers.
- It does not guarantee success, but increases the odds of winning.

Source: Porter, Michael, What is Strategy, 1996, HBR

STRATEGY VS ACTION

The strategies capture the vision of the organization for longer term horizons. It sets the direction for all stakeholders to be aligned on a common goal.

Actions break down the strategies in tangible steps, with clear deadline, owners, and targets.

STRATEGY	ACTION
Medium to Long-term goal	Short-term and timebound
Engages multiple stakeholders	Assigned to a specific team member
Have specific performance measures	Are either done, or not done
Linked to your Commercial Goals (RGI / Positioning)	Linked to a strategy

WHAT TO CONSIDER IN YOUR STRATEGY

Item	Description
Target Audience	Define the segments that will be targeted and will deliver the greatest profit for the hotel. Break it down for the full year and by month. The more granular this is, the easier the other steps are.
Acquisition Plan	Support the strategy with a sales and marketing plan to reach the target audience.
Retention Plan	Once the customer, how will it be retained for additional stays and/or revenues.
Channel Costs	Identify the cost of each channel.
Acquisition Costs	Calculate the cost of acquisition of each guest by channel and segment
Profit Value per guest	Identify the total revenue and profit generate by segment and update your strategy and plans to prioritize higher profit guests.
Channel shifts	With the commercial and operations team understanding the value and cost of each channel, develop actions to shift business from high to low costs.

Source: HSMAI Evolving Dynamics

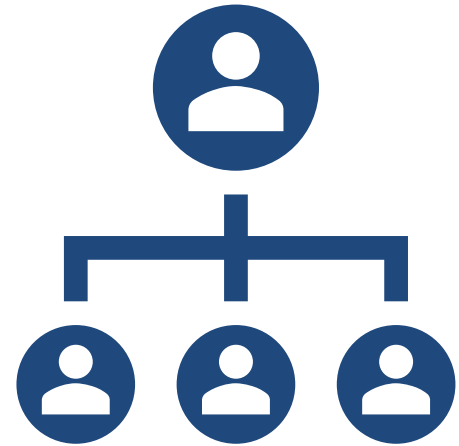
STEP 2: EXAMPLES OF STRATEGY

1. Increase brand.com contribution to 35% of total mix
2. Secure a MICE group base of 1200 room nights in low season, and 800 in high season
3. Increase contribution from XYZ region/country by 35%
4. Achieve 12 weddings per month

COMMUNICATING WITH THE GM

Involve the GM from the inception of the goals and strategy

- Provide them with a detailed plan that shows the long-term goal of the strategy.
- Get buy-in and avoid constant change of direction.
- Walk them through the strategy and action plans.

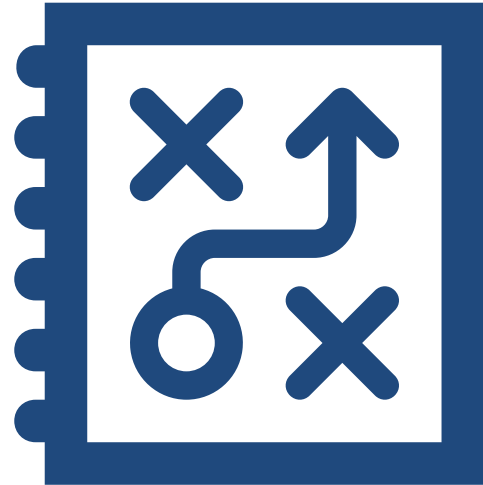


Source: HSMAI Evolving Dynamics

WORK WITH SALES & MARKETING

Sales and Marketing should be involved early in the discussion to avoid confusion

- Highlight the short and long-term goals that the strategy is addressing, and how they can impact (positively and negatively) the strategy.
- Ensure that they have the same understanding of the strategies during need periods to generate volume
- And are equally consulted during high demand to explain how restrictions will impact their work



Source: HSMAI Evolving Dynamics

STEP 3. ASSESS THE RESOURCES



What are the tools, structure, processes needed to support your strategies. This is not limited to the commercial function:

- Structure, roles, job descriptions
- Capabilities and training
- Tools, software, data
- Partnerships



TRIPTEASE



ITB
ASIA



STEP 3. ASSESS THE RESOURCES



ESTABLISH YOUR GOAL

Achieve an RGI of 110 and a GOPAR index of 112

Resources:

STR

HotStats

Demand360

Agency360

Online Reviews/Ranking



DEVELOP YOUR STRATEGY

1. Increase brand.com contribution to 35% of total mix

2. Secure a group base of 1200 room nights in low season, and 800 in high season



ASSESS THE RESOURCES NEEDED

1a. Implement book direct tools (Rate parity shopping, CRM, retargeting, Meta)

1b. Dedicated ecommerce manager position

2a. Participate in MICE tradeshows and advertise to DMC

2b. Sales & Catering tool



BUILD YOUR FINANCIAL MODEL

STEP 4. BUILD THE FINANCIAL MODEL

1. Start with your RGI Forecast
2. Build your top-line projections based on your strategies
3. Unify all your revenue streams (Rooms, F&B, Banquet, Spa, etc.)
4. Considers Top and Bottom-Line Targets
5. Reassess your Strategies against the numbers



STRATEGIC PROCESS



Adapted from: *Playing to Win*, Lafley & Martin, 2013

MORE RESOURCES

HSMAI – Evolving Dynamics 4th Edition

HSMAI – CRME Certification

HSMAI – Budget Planning For Hotels, Tarandeep Singh

- <https://www.linkedin.com/pulse/budget-planning-hotels-tarandeep-singh-crme->

Harvard Business Review

- <https://hbr.org/podcast/2023/05/align-your-sales-team-with-your-strategy>
- https://hbr.org/podcast/2023/05/the-difference-between-a-plan-and-a-strategy?ab=at_pod_art_h3x1_s01
- <https://hbr.org/2012/09/bringing-science-to-the-art-of-strategy>
- <https://hbr.org/2017/04/strategic-choices-need-to-be-made-simultaneously-not-sequentially>

Lafley, A. G., Martin, R. L. (2013). Playing to Win: How Strategy Really Works. United States: Harvard Business Review Press.



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