

Hotel Sector

The value of revenue generation from non-core products and services

Collinson Latitude recently conducted a survey amongst representatives from the hotel industry to understand their thoughts on how they generate additional revenue from added value products and services outside their core product. The research indicates that non-core revenue is key for profitability in 2010. Hotel brands have a long history of ancillary revenue activity with partnerships in travel product extensions.

Acquisition of customers was identified as the core business objective for 2010, closely followed by retention. Increasing sales of core product and services was the next most important objective, demonstrating that in times of uncertainty companies place the high priority on their existing customer relationships. Brand differentiation was closely behind this – while extending partnerships was the lowest priority.

Over two thirds of brands offer enhancements and add-ons to products and services to make their offering more attractive to customers. 60% of these claim to do so to 'add extra value' to the customer proposition, with the remaining 40% doing so to 'drive customer retention'. All the brands surveyed believe the product extensions and enhancements differentiate their brand from the competition.

Of those who do not offer enhancements and add-ons, many have considered it, but are either unaware of how they can benefit from such a strategy or are unsure how to implement it. Cost is also seen as a key barrier.

These smaller brands claim to have considered enhancements and partner programmes and know they could benefit but are yet to launch such a strategy. Cost and complexity involved were cited as barriers to potential implementation in 2010. Many of the brands however do utilise promotional mechanisms to reward customers – the most popular being vouchers, tokens and coupons. Online auctions and prize draws were also cited as popular, with over half the respondents currently running these, or planning to.

Over three quarters of respondents would be interested in offering their customer base access to instant benefits, and over one quarter currently offer annual multi benefit packages.

“Hotel businesses failing to optimise new revenue and customer engagement” opportunities

