



How to attract more guests, who book earlier and at higher prices-

Without resorting to the type of discount promotions that devalue your brand

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Owners and senior executives in the vacation industry know the importance of high occupancy.

Full ships, tours, hotels and resorts generate higher revenues and profits; create a more vibrant guest experience, and generate more tips for a happier staff.

But achieving high occupancy is not easy, especially for growing vacation companies that are adding new capacity. New ships, new hotels, new resorts, and additional tours typically don't come online in smooth 3% or 4% year-over-year capacity increases that can be easily absorbed by existing marketing and sales infrastructure. Instead, capacity increases typically come online in big chunks that are hard to swallow for the existing guest sourcing machinery.

On top of that, the marketplace doesn't always cooperate. In fact, these days, if it's not one thing, it's another. Between economic downturns, acts of terrorism, war, natural disasters and mosquito borne diseases it's hard to imagine a "normal" year in which things go as expected.

In my 20+ years of travel industry experience, I've seen first-hand how the stresses of a growing vacation company can stretch its guest sourcing team and infrastructure to a breaking point. And I've seen many companies turn to deep discounting to solve their demand problems. It can be a quick fix, like a narcotic. It brings temporary relief. But it's damaging because it erodes your long-term pricing power.

I know this, because I've been a discount addict myself. But I've weaned myself in favor of a more holistic approach that combines five things:

First, create a deep understanding of who books, when they book, how they book and what prices they're willing-to-pay.

Second, use those deep customer insights to establish a robust and flexible pricing strategy from the start.

Third, reach further into the market by inviting more people, especially new, first-timers to your brand.

Fourth, convert more “lookers” into “bookers” by adapting to the way people shop for travel online.

Fifth, be ready for the inevitable bumps in the road by having well thought through contingency plans ready to go at the first sign of trouble.

Companies that do these five things well can put discounting in its proper place, as a surgical tool to be used sparingly.

I now know that a vacation company can take control of its revenue future, even in times of rapid growth and even in times of geopolitical uncertainty. **Here's how:**

Step One: Purchase patterns revealed

Start with a deep dive into your company's historical transaction data. Build a data-driven, fact-based picture that reveals your guests' purchase patterns. Use two to three years of history to create a deep understanding of who books, when they book, how they book and what prices they're willing-to-pay. It's healthy to challenge current conventional thinking and gut intuition because it's usually the new insights that are most useful.

Run a similar analysis to reveal patterns in your distribution channels and to measure the effectiveness of your marketing communication programs, especially your website and other digital activities.

This analysis will arm you with a concrete understanding of what works best. Or, what I refer to as the magic that makes your brand tick. That magic can emanate from almost anywhere: particular guest demographics, the loyalty of past guests, certain segments of the distribution channel, seasonal demand patterns, or distinct products that are especially sought after.

Doing more of the things that work best is the surest way to successfully grow your brand. Overlaying the insights gained during Step One with your strategic growth plan enables you to plot your company's best and most systematic course toward profitable growth.

Step Two: The price is right

Based on the deep understanding of guest purchase patterns you acquired in Step One, you can create a robust and flexible pricing strategy that spreads your company's prices further along your guests' value curve.

This is critical. Getting the prices right from the start is essential to avoiding uncontrolled discounting later. Set prices too high, and you won't attract enough demand to fill your capacity. Set prices too low, and you'll lose much of the value you could have captured from guests willing to pay more.

It's a delicate balancing act. It requires skillful product differentiation based on features that cost your company little to nothing, but that give certain guests compelling reasons to spend more. The most common price differentiators in the vacation market are:

- The type of room
- Included benefits and service components
- Seasonality
- Flexible booking terms and conditions

As part of Step Two, you'll find opportunities to turn the pricing dials both up and down. Higher prices for the most sought-after products, features, services and times of year will enable your company to capture more value from guests who are willing to pay more. Lower prices on less full-featured products will enable you to expand your market among price-sensitive guests, without diluting revenues from more well-heeled customers.

Getting this right allows your company to capture more demand earlier in the booking cycle – at rates that are part of a deliberate, strategic pricing plan. The result is higher average prices and less discounting.

Step Three: Be more inviting

Once the price is right, the next step is to be more inviting, in two senses. First, simply invite more people. Second, do so in an even more inviting manner.

Growing vacation companies absolutely must reach further into the marketplace and deeper into the distribution channel. For many companies, financing the additional marketing expense can be challenging because increased revenues from new assets or expanded programs won't be recognized until sometime in the future, but the incremental marketing investment is typically expensed as incurred, putting pressure on current profitability.

It's been said, "If you build it, they will come." But that kind of wishful thinking only works in the movies.

In my experience, companies that don't accompany their investments in new assets and expanded programs with investments in new marketing activities simply run out of gas and find

themselves with little choice other than deep discounting that devalues their brand. If you try to build a skyscraper on the foundation of a house the whole thing topples over.

Sometimes, executives at growing vacation companies believe they can fuel their growth by encouraging more repeat purchases among loyal past guests. And it's true that past guests are a great source of incremental business. But I've found that brand loyalists gravitate toward what's new and experiences that they haven't tried before. So, the challenge for a growing vacation company is not filling the new capacity, it's filling the old capacity. Therefore, you must plan for incremental marketing activities aimed at attracting first timers to the brand.

To do that well, your company's incremental marketing activities must be aimed specifically at attracting new potential guests; convincing them that you offer their best vacation alternative, and clearly establishing that:

- They can trust you with their vacation
- The experience is right for them
- The price represents good value

Common wisdom in the vacation industry is that people start their purchasing process by deciding:

1. When they want to go
2. Where they want to go
3. Which company they want to go with

It's very hard for a company to influence number one and number two. Your goal, however, is to influence number three and be the company that they ultimately want to go with.

Step Four: Turn more "lookers" into "bookers"

Having worked hard to get more potential first time guests into your sales funnel, its critical to properly guide them along their purchase decision, especially in your company's digital channels. By converting more "lookers" into "bookers" you attract more guests earlier and at higher prices, while also lowering acquisition costs.

According to a recent Google Travel Study, three-quarters of leisure travelers use digital sources to plan their vacations. Of those, more than 80% go into planning undecided on a brand. That means the digital marketplace is huge, and largely up for grabs. To get more than your fair share, your company needs to adapt to the way people shop and behave online.

The vast majority of people who visit your company's website aren't ready to book. Instead, they're "just shopping" and still want to check alternatives, and coordinate their plans with

family and friends. The key is to attract those people and keep them engaged with your brand during their entire decision process.

The best way to do this is to offer something of value in exchange for a little personal information. People are usually willing to provide the same information they give when making a restaurant reservation: name, contact information, date, number of adults, number of kids.

On the basis of that information, your company can follow-up with a series of personalized, friendly, on-brand messages designed to keep your offer top of mind for two to three weeks while your prospective guests are making their purchase decision.

The follow-up message series should be designed to strengthen your prospects' sense that they can trust you with their vacation, that the experience is right for them and that the price represents good value.

A two to three percentage point improvement in your company's "look-to-book" ratio is one of the most impactful performance improvements your team can make.

Step Five: Expect the unexpected

Steps One through Four will enable your company to plot its best course toward profitable growth, establish the right prices, attract more first time prospective guests and systematically guide those prospective guests through their purchase decision so they choose your company.

But as we all know, even the best laid plans hit unexpected bumps in the road. Vacation companies that allow those bumps to derail their plans are the ones that resort to promotional discounts that devalue their brands.

To avoid that fate, your team should meet regularly to review progress reports that zero in on booking variances, both good and bad. These meetings enable you to review what's working as expected. They should also provide an early warning of the bumps that lie ahead and where your team may need to go to Plan B.

Those contingency plans should be fully scripted with logical, on-brand promotional offers that will fly under the radar screen. Such promotions will be most effective if they are supported by appropriate marketing and sales tactics that are ready to go when predefined triggers are tripped.

If your team expects the unexpected, they won't be caught flat-footed when customer purchase patterns don't follow historical norms. Instead of waiting and hoping for things to get back on track, they'll be proactively moving in the right direction.

Summary

All of us in the vacation industry are operating in an increasingly difficult and competitive environment. Not only are we coping with our own company's growth, but our competitors are also growing and, in many cases, new players are entering our markets.

On top of that, consumer demand is increasingly uncertain in the face of a stream of geopolitical events, which are unpredictable and completely out of our control.

Nevertheless, it is possible to take control of your revenue future, and to win in the marketplace by attracting more guests who book earlier and at higher prices.

The first step is to use your brand's unique magic to create a systematic plan for sourcing more guests. Then make sure your products are sufficiently differentiated so you can price more broadly along your customers' value curve, raising and lowering prices as appropriate. Higher prices enable you to capture more value. Lower prices enable you to capture more demand.

Once you've achieved those two steps, reach out further into the marketplace, inviting more people and engaging them earlier in their purchase decisions so you can better influence their ultimate choice.

Finally, it's important to anticipate the unexpected and have several back-up plans documented and ready for quick implementation as soon as the need arises.

The approach I've outlined here is based on 20+ years of travel industry experience including stints as a senior executive at large, multi-national travel brands, as well as small, ultra-luxury brands and expedition companies. It also incorporates lessons learned as a trusted advisor to independent entrepreneurs who have built their travel companies from the ground up.

Typically, this approach increases revenue from 4% to 7% on existing capacity, while at the same time putting companies in a much stronger position to successfully absorb growth.

Free Strategy Session

The approach I've outlined here is simple, but not necessarily easy. Companies typically run into two types of problems.

Large companies usually have experienced and talented teams running their guest sourcing activities. But often those teams are so absorbed by day-to-day tasks that they don't have time to pursue innovations and new ways of thinking. In these cases, high-value and future-focused activities get talked about, but implementation takes a back seat to more immediate priorities.

Smaller companies usually have hard-working and dedicated teams running their guest sourcing activities. But often those teams are staffed based on the demand requirements of current capacity; and most often, they don't have sufficient expertise to cope with the stresses of a growing company. Given enough time, they can learn and master the skills that I've described. But you don't need to wait.

If you'd like to accelerate the process of preparing your travel company for growth, I'd like to invite you to schedule a free **Attract More Guests** strategy session with me. This will give me an opportunity to learn about you and your company's unique needs. From there we can decide how best to proceed.

If you want help **attracting more guests, who book earlier and at higher prices, without resorting to the type of discount promotions that devalue your brand** - we should talk. Please email me at adam@peakrevenueperformance.com to arrange a 30-minute strategy session.

Looking forward to working with you,



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Our Specialty: Helping Travel Companies Attract More Guests, Who Book Earlier and at Higher Prices