



5 Ways Your DMO Can Help Prepare Hotel Partners for an Economic Downturn

Shirley Smith

Co-Founder, Digital Edge Marketing

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ABSTRACT

Enjoy the ride while you can, but don't let an economic downturn have you slamming on the brakes.

With travel to the U.S. leveling off and business travel appearing to have plateaued (*Hotel News Now*), it may be time to ensure your DMO is prepared for a potential recession. This whitepaper provides insights and strategies to help DMOs insulate against the next economic slump.



BACKGROUND

Before co-founding Digital Edge, I served as Director of Sales & Marketing with Marriott Hotels and Resorts, then as Vice President of Sales at Visit Jacksonville. After that, I led the sales team at One Ocean Resort and Spa in Atlantic Beach, FL.

My career has been focused heavily on sales and meetings marketing. I can tell you from experience that what goes up must come down, and how your organization handles a downward trend will be closely watched by your partners who will need your help most.

As a veteran of the travel and tourism industry, I experienced my share of peaks, valleys, in-season, off-season, the occasional crises and catastrophes along with the unforgettable terrorist attack.

But of all the experiences, I would not want to be in the hotel trenches during another economic crisis. At the beginning of the 2008 economic downturn, I was leaving a DMO to lead the sales efforts for a new independent luxury resort in a small beach community. If I had only known what was ahead of me, I would have made different choices.

The fall of Lehman Brothers in September 2008 caused the U.S. hotel industry to experience an intense and immediate negative impact on occupancy, rate, and revenue per available room (RevPAR). U.S. hotel financial performance plummeted, generating an industry-wide \$54 of sales for each available room, down 18 percent (*Skift Travel*).

This financial crisis created one of the greatest financial disasters since the Great Depression of the 1930s, and as with most industries, the hospitality and tourism sector experienced numerous challenges as a result.



The industry felt the impact of a shrinking capital market and decreased discretionary spending by both corporate and individual consumers. Consumers were canceling or downsizing planned vacations and businesses were tightening their belts and cutting corporate travel expense accounts. An investor who bought the S&P 500, a widely followed stock index that tracks the 500 largest U.S. businesses, in January 2007 would have lost half of their money by March 2009, the low point for stocks. Travel stocks got hit even worse. Over the same timeframe, airline stocks declined 68 percent while hotels, resorts, and cruise lines fell 74 percent, according to Skift.

Businesses were reporting a downturn in sales of lodging, food service, events and other hospitality products, and this caused some to close their doors forever. The decline resulted not only from fewer customers in hotels, restaurants, conference and convention centers, etc., but also from a significant decline in the average expenditure per guest for years afterward.

The recession hit just a few months after opening the resort, and I experienced meetings & convention business come to a screeching halt as companies were being scrutinized for any “unnecessary spending” regarding travel, transportation and entertainment. Unfortunately for me and many others, the recession caused serious problems (especially for luxury hotels) making us at luxury resort properties look for ways to drop the word ‘resort’ from our name and keep our 4 or 5 Diamond status under wraps.

As a boutique luxury resort, we believed that booking a small amount of high-rated group business before opening our doors and filling with even higher-rated leisure business after was the perfect strategy, but wow, little did we know. We quickly learned not having a heavier group base was actually a disastrous strategy.





SOLUTION

What could you as a DMO do now to help alleviate the negative effects of an economic crisis for your destination and partners?

Whether that downturn is six weeks, six months or six years away is irrelevant. The time for you to help your hotel partners protect their position is now.

FIVE TIPS TO START **IMPLEMENTING NOW:**

1. Have your DMO's sales leadership team begin having conversations with the hotel partners regarding a strategy now, while times are good.

The bottom line is your hotel's top concern, regardless of the economic cycle's position, and having an open conversation about that during good times helps ease the stress of a downturn. Know where your partners stand today and how they are planning for tomorrow.

2. Discuss how to fill future room blocks while the market is at or near peak performance; although, be prepared for your partners to discuss how their owners are pushing budgets and striving for very high rates to maximize RevPAR.

Some hotel owners may want to keep themselves out of the future booking of room blocks because they want to maximize the late-booking transient demand. Again, based on the last downturn, that is a disastrous strategy to take because when the downturn does hit, they won't have that solid base of contracted group business on the books.

Your hotel partners that are more conservative now by ensuring they have a solid base of group room nights will ride the storm much better than those hotels that don't.

3. Look at current year and previous year bookings as well as business that was passed up—do this right now while there is high demand in groups and your hotel partners can get a premium rate. Reach out to those groups that you know are going to be in the marketplace or who you haven't been able to accommodate because of the demand. See if you can bring them in for future years to provide that base of business your lodging partners will need.
4. While it is sometimes challenging, obtain your partner hotels' actual need dates. Build marketing strategies to create awareness and offer promotions for those periods to drive interest from planners.
5. For the larger destinations, fill in the gaps with smaller self-contained meetings business around citywide conventions, so all of your partners have a good base of group business.





VETERAN INSIGHTS FROM **TONYA SWEETEN**

We asked **Tonya Sweeten**, Vice President of Group Sales for Visit Park City and a Digital Edge (DE) client for the last four years, to share her thoughts on how she prepares for and manages group sales during a recession.

DE: What resources or insights do you use to help foresee a softening in the economy?

TS: I look at research done by all of our industry associations and corporations at the end of each calendar year. I then present my findings to my marketing advisory committee to gauge whether industry trends in that research match what we see locally in our mountain resort town. We compare notes and then place the current trends and anything to look out for in the coming year in our sales and marketing plan. This helps us as we formulate our plan for the coming year. We historically have not planned much more in advance than the forthcoming fiscal year budget at a department level. At an organizational level, we keep enough in reserves that are set aside specifically for marketing in a downturn. That could be allocated to consumers or group sales depending on where we think our best bet would be to continue our momentum and get us through a recession.

DE: What strategies do you have in place or are you currently working on to prepare for a future economic downturn?

TS: When our marketing advisory committee meets to plan the upcoming fiscal year, if we are beginning to see a downturn or are in a slump, we specifically talk about ways to market our destination. In the last recession, we turned from focusing on luxury, resort-type marketing to affordable and plenty of free activities, since budgets were cut and groups shied away from anything that had (at the time) adverse connotation to the words 'luxury' and 'resort.'



DE: In a leadership role with a DMO, how do you work with your partners to help alleviate the negative effects of a potential downturn?

TS: Working with our partners is what we do every year to formulate our sales and marketing plan through a member marketing advisory committee. They are involved in the decisions of how we position the destination for success, whatever the economic environment. But we continually involve them in our process no matter what type of economy we are in to ensure our efforts provide real value to the destination at large.

DE: How would you recommend other DMOs work with meeting planners to build a stronger group base of business for future years now while the economy is strong?

TS: Association business needs to be part of the equation when talking about how to insulate from an economic downturn. Corporate business is great and brings in the most ADR, but associations tend to meet whether or not there is an economic downturn and plan much further in advance than corporations.



CONCLUSION

Don't experience a train wreck by waiting for the group business to evaporate during an economic downturn. Keep enjoying the ride by reaching out to those planners and building that group business now for your destination to enjoy in future years.

If you are looking for additional solutions, strategies and marketing opportunities, we are here to be your partner before, during and after the next economic downturn.

Shirley Smith, Co-Founder of Digital Edge,



A handwritten signature in white ink that reads 'Shirley Smith'.

<http://DigitalEdge.Marketing>

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CITATIONS

Borko, Seth, *"10 Years Later: How the Travel Industry Came Back From the Financial Crisis."* Skift Travel, September 14, 2018.

"Planning for a downturn: Prepare now or repair later." Hotel News Now, October 19, 2018.

