

Prescriptive Solutions for Sourcing Group Business Opportunities that Match Hotel Needs

A white paper on how group meetings market data can be used to predict group trends & help hotels act on best-matched opportunities

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Abstract

Groups and meetings account for a significant share of hospitality industry revenue and profits. Much of the activity in this segment is a result of groups holding meetings on a recurring basis. To identify potential business, hotels often turn to internal and third-party sources, but are burdened by the volume of past activity they have to sort through. This paper discusses how analytics are being applied to more efficiently mine vast stores of historical groups and meetings activity to find prospective opportunities that represent the best fit between a particular hotel's needs and a group's buying behaviors.

Introduction

The groups and meetings segment of the hotel industry accounts for \$280 billion in spending and \$115 billion in GDP in the US annually. This group volume, about 1.8 million annual events, is driven by nearly one million organizations across corporate, association, government, and SMERF (social, military, education, religious, fraternal) market segments. Much of this business recurs from year to year in consistent, recognizable patterns.

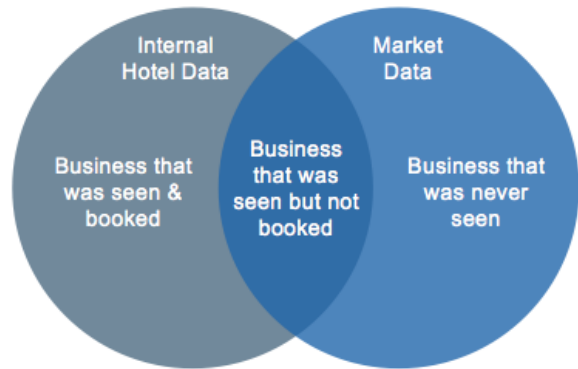
Hotels source groups and meetings business in two primary ways:

1. Responding to inbound RFPs from meeting planners or third-party intermediary channels
2. Prospecting for business proactively by contacting and selling to groups known to have booked meetings in the past

Hotels face a number of challenges as they compete for group business. First, they must be aware of as many group opportunities in their market as possible to have a chance at winning their fair share of business. Second, they must rank and qualify potential opportunities to focus on and win the right business at a time and price that maximizes overall hotel revenue performance rather than displacing higher-value business, be it transient or alternative group business. Third, they must acquire groups and meetings business at a reasonable cost, balancing the investment in third-party channels versus direct selling.

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Industry consolidation is giving larger hospitality companies a competitive advantage with regards to the first of the above challenges. They can mine larger amounts of historical group activity from their own internal data to gain an understanding of the market and identify potential future opportunities. But even the largest companies have an incomplete view of the market. In-house data reflects only business a hotel has won, or has seen and ignored or lost, but not business going to competitors the hotel never saw. Collection and aggregation of actualized group activity by third parties have leveled the playing field for brands, management companies, and individual hotels, allowing them to tap into a database of millions of events that far exceeds what even the largest hotel company has internally.



Yet, finding and qualifying potential business within a massive database is challenging. Tools for mining this quantity of data have enabled users to search in flexible ways, but have lacked efficient methods of identifying specific opportunities that are a good fit for a hotel and its transitory needs.

More advanced analytics are now being applied to historical meetings activity to help hotels understand group trends and buying behaviors and identify the best business for a particular hotel. Using emerging analytics-based capabilities, hotel sales professionals can more efficiently prospect for new business by identifying business that is likely to recur during a particular timeframe when the hotel needs business and is most probable to convert for that hotel based on the group's demonstrated buying patterns and the hotel's particular attributes.

Overview of Groups and Meetings Market Data

There are two primary types of groups and meetings market data currently available to hotels:

1. **Aggregated group rooms performance data:** Smith Travel Research (STR) provides historical industry and competitive benchmarking of occupancy, ADR, and RevPAR. TravelClick reports historical and future group rooms committed and sold by stay date and booking date. This data is a consolidation of group performance reported directly by participating hotels. The primary use of these data sets is to benchmark a hotel's overall group performance versus its competitive set. Neither of these industry data sets contains customer segmentation or meeting specific attributes.
2. **Groups and meetings activity:** To understand group performance at an individual account level, hotels must turn to their own internal data or to third-party sources that collect and aggregate RFP activity or actualized meetings activity. These sources of historical activity contain details of meetings and the groups and planners that requested and booked them. This data supports lead generation for future business. It also supports industry and competitive benchmarking at lower levels of detail, such as by group segment, source market, and even individual customer account.

Both types of market data have unique strengths. Hotels' aggregated group rooms performance offers a complete picture of trends regarding group room nights (a primary revenue driver) and serves as a scorecard of overall group share performance. This data, however, does not focus on meeting space utilization and lacks segment, group, and planner detail, inhibiting what a hotel operator can do to diagnose and solve demand performance issues.

Group activity from RFP channels and internal hotel systems contains opportunities a hotel saw and either booked, turned down, lost, or ignored. But this data contains no activity booked by others that a hotel never saw. Additionally, if a hotel saw the opportunity but did not book it, it does not reveal whether the meeting ever happened, or if so, where the meeting ultimately occurred.

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For years, Knowland has been gathering actualized meetings activity, identifying where and when meetings happened, the organization holding the meeting, the planner who booked it, and various meeting details such as meeting length and room square footage used. This data represents a large, growing sample of market activity, covering thousands of hotels across hundreds of markets. With data on more than nine million meetings booked by more than six hundred thousand groups, this dataset is the industry's most complete source of cross-competitor group performance by segment and account.

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- Researchers are deployed to 140 global markets daily to investigate individual meetings and accounts
- Large dataset is a growing representative sample of total meeting activity (10 million events)
- Meetings categorized by segment (corporate, etc.), sub-segment (finance, pharma, etc.), and account (Pfizer, Merck, etc.)

Using Market Data to Improve Groups and Meetings Performance

By enabling users to mine its deep database of meetings activity, Knowland serves as a rich source of potential future group business opportunities. In addition to lead generation, this data also provides a broad perspective on market demand dynamics, which can support strategic analysis, performance benchmarking, and demand forecasting. Furthermore, having a more comprehensive view of an account's past meeting behavior can change the conversation between hotel sales teams and their customers. By analyzing a group's activity across markets, brands, and chain scales year over year and quarter by quarter, group sellers are able to educate themselves on important nuances of group activity before engaging in prospective customer conversations and negotiations.

The next frontier in using this extensive market data is to apply analytics and automation to more efficiently identify future opportunities that are the best fit between a group and a particular hotel. Current tools support descriptive analytics by providing an organized view of what happened in the past. The hotel industry now needs prescriptive analytics that automate the process of pairing hotels to the future opportunities best suited for them.

A Prescriptive Approach to Lead Generation

Like sales in any business, success results from matching the seller's needs and value proposition to the buyer's needs and buying behavior. If hotels can more efficiently match their business strategy and needs (types of groups, size, rooms, etc.) to a group's needs and buying behaviors, they can concentrate valuable time and energy on closing those select opportunities. This starts with hotels having as much visibility as possible into potential sales opportunities and group buying behaviors, as provided in the Knowland database. The task at hand is applying the analytics to this data to automate the discovery of potential sales opportunities and assess the fit of those opportunities to a particular hotel. The analytics, therefore, need to predict that an event is going to happen at some defined point in the future and that a particular hotel has a higher or lower probability of booking that event, given what the hotel has to offer versus what a group has normally done.

The Science Behind Prescriptive Lead Generation

To illustrate a prescriptive approach to lead generation, one can examine past data for a single group. For example, Group X's historical actualized meetings data aggregated by week-of-year and plotted against the group's average activity (*Figure 1*) can be used to identify weeks of high activity when the group is likely to hold events.

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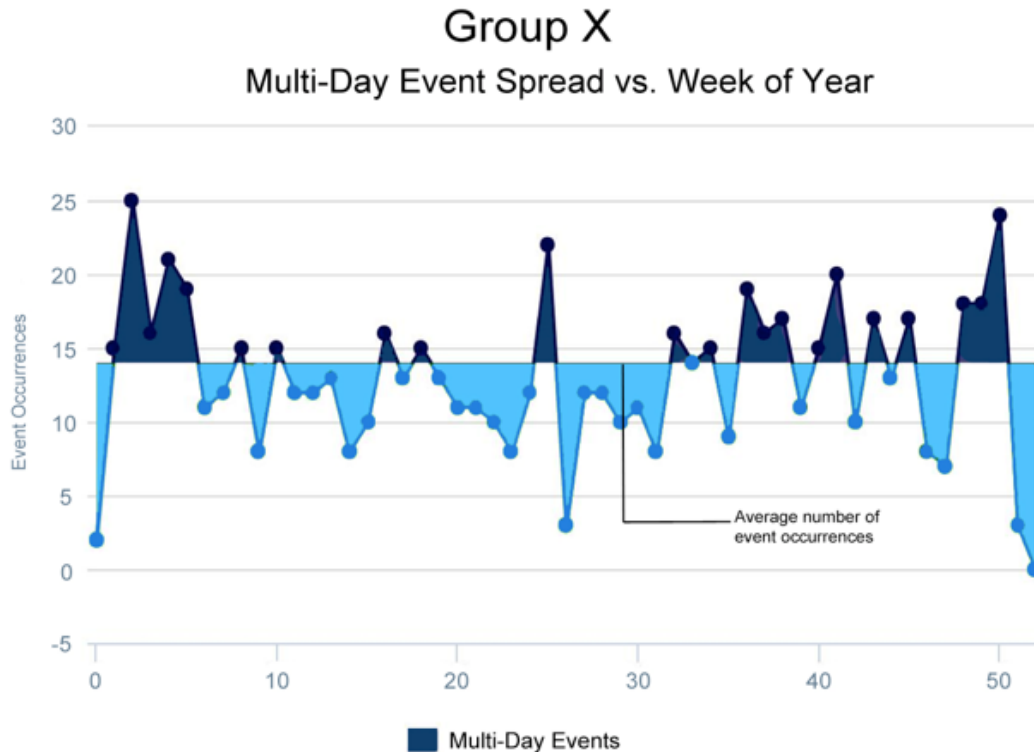


Figure 1: Aggregate week-of-year historical event activity for a single group vs. the group's average activity.

Each period of high activity (the activity peaks in Figure 1) represents a *time cluster* of events that is significant for several reasons:

1. Each cluster of events is localized in time to a specific week of the year.
2. The volume of events for each cluster is above average, indicating the group holds more events than usual that week. By accepting the principle that past behavior predicts future action, each cluster signifies a likely future group business opportunity for a week, with the strength of the opportunity proportional to the height of the peak.
3. Every cluster is based on the entire historical behavior of the group over time during that week, not only single outlier weeks of high activity. This provides a much stronger statistical basis for the cluster being indicative of a future opportunity.

While event clusters represent likely opportunities for future group business, they more importantly need to help hotels identify relevant opportunities. Analyzing the similarities among the events that make up a cluster ensures a group's events have more in common than week of year. Specifically, historical group buying behavior is characterized by examining similarities among event attributes such as:

- Chain scale
- Market
- Market tier
- Region
- Size
- Brand
- Brand group

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If all events in a cluster occurred in the same market, the resulting future opportunity is a more likely win for a hotel located in that market than for a hotel in a different market. Analytically, similarity is represented as an *alikeness* measure between 0 and 1 for each cluster attribute, where 0 means the events are completely different and 1 means they are completely alike. A cluster has a *region alikeness* of:

- 1 if all events in that cluster were held in the same region
- 0 if no two events were in the same region
- 0.5 if half the events were in the same region

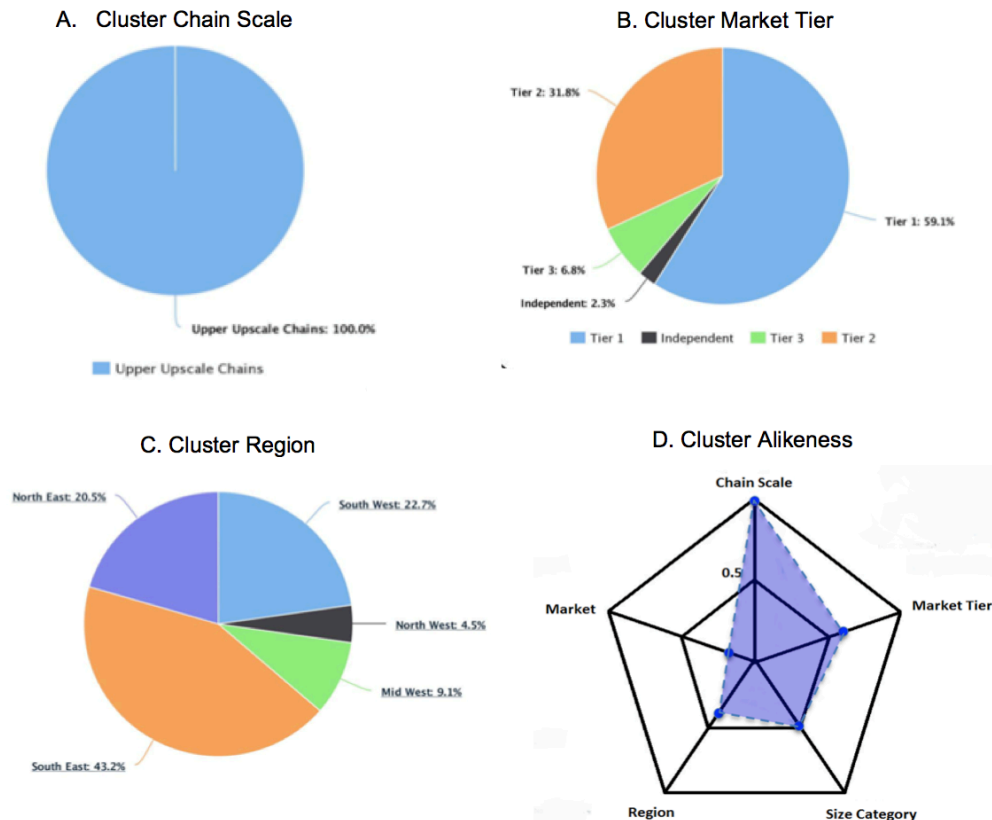


Figure 2: Characteristics of an example cluster/opportunity. **A-C:** Cluster attribute distributions for chain scale, market tier, and region attributes. **D:** Alikeness metrics for the cluster across all attributes.

By calculating alikeness metrics for all clusters, opportunities are characterized in a way that describes the extent of their loyalty to consistent chain scale, region, market tier, etc. For example, a cluster with attribute distributions for chain scale, market tier, and region is shown in Figure 2A-C and its alikeness metrics indicate:

- 59% of the events in this cluster were held in tier 1 markets (market tier alikeness of 0.59)
- 100% of the events occurred in upper upscale properties (chain scale alikeness of 1.0)
- 43% of the events took place in the South East region (region alikeness of .43)

Figure 2D shows these alikeness metrics as an *opportunity profile* for the cluster with blue points for each attribute, where 0 is in the center of the diagram and 1 is furthest from the center. Connecting the dots forms an *alikeness polygon* (pictured in transparent blue in Figure 2D) that depicts how alike the cluster is across all

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attributes. If all events in the cluster were consistent in every attribute, the blue polygon would completely cover the diagram, representing a cluster where all events were completely alike.

To make it easier for group sellers to act on opportunities, likeness metrics trends are used to grade an opportunity for a particular hotel. By matching a hotel's offerings and a group's observed behaviors for compatibility, it can be determined that an opportunity is a likely or unlikely win for the hotel. In Figure 3, the model opportunity has met exclusively in upper upscale hotels (chain scale likeness of 1). As a result, this opportunity grades very high in chain scale for upper upscale hotels and very low for properties in other chain scales. Combining the resulting grades for all the facets of an opportunity profile (all the points of the polygon) generates a composite grade that represents the overall likelihood that a hotel could win that business. Figure 3 illustrates this process for a specific hotel (the Westin Downtown Portland). An opportunity (far left) characterized by its likeness values is graded against a hotel and the resulting overall grade is a "B." A high grade indicates a good opportunity for the Westin to pursue.

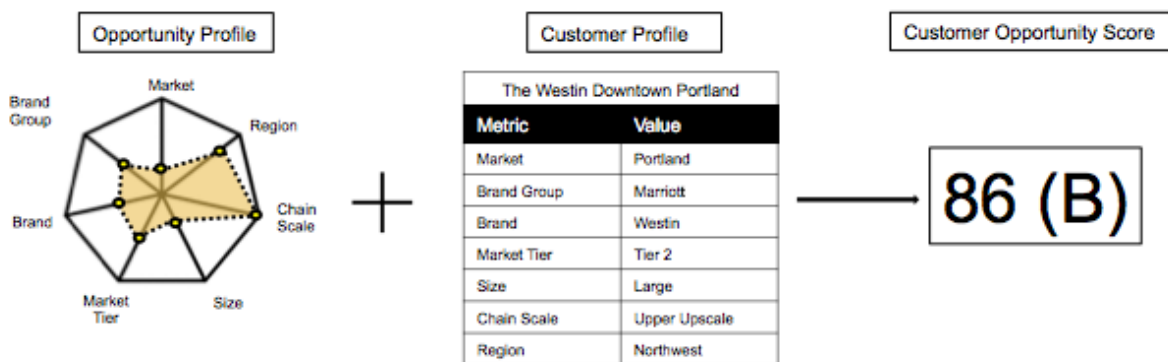


Figure 3: An overall opportunity grade for a hotel generated based on the opportunity (cluster) profile (likeness metrics) and specific hotel characteristics.

Summary

These analytics ultimately propose a solution to help hotels act on the growing abundance of available group meetings data by:

1. Identifying group opportunities for a given future period based on historical group behavior
2. Matching those group opportunities to a hotel's need periods
3. Scoring those opportunities to identify those with the highest likelihood of closing

It's important to note that the same science presented in this paper for group opportunity generation while selling, prospecting, and relationship building also applies to evaluating inbound RFPs, which can be graded for specific hotels in the context of group behavior in the same way.

In summary, prescriptive technology will automate the time-intensive process of mining large amounts of market data to identify the most promising opportunities for a given hotel. It changes the focus from lead quantity to lead quality, driving more direct sales success at lower customer acquisition costs.