

duetto

Business (Loyalty)

Transient



Group/Event

The Revenue Manager's Guide to Advanced Guest Segmentation



Technology enables the ideal divide-and-conquer strategy for targeting customers and optimizing prices with maximum precision.

The Economic Times defines “segmentation” as the practice of “dividing the marketplace into parts, or segments, which are definable, accessible, actionable and profitable and have a growth potential.”

Segmenting your business is the first step for effectively operating a hotel. You can't forecast or yield without first breaking down the different types of customer groups and booking channels that contribute to your occupancy and revenue. How a hotel chooses to segment its business can determine revenue strategy success or failure before even the first price is set.

Today, with the aid of revenue management software, hoteliers are able to create countless segments, starting with a simplified layer that is easily understood by the hotel's various departments and that could then be subdivided into a more complex level that paves the way for more precise and tailored rates.

In addition, it's important for a hotel to occasionally reformulate its segments based on a changing business mix. The right RMS will allow for historical booking data to be remapped without invalidating this information.

Understanding segmenting best practices will help you learn more about your different types of guests and allow you to better forecast their demand. Adding additional layers of segments, which break down your guests even further, will allow you to offer consumers room rates that are more tailored to their preferences and more profitable for your hotel.

Yielding Segments and Market Segments



Each hotel might label them differently, but it's important to understand the difference between your back-end operating segments and your public-facing reporting segments.

On the back end, yielding segments refer to the wide variety of guests and bookings you receive at your hotel. A hotel could potentially have hundreds of yielding segments, and not all of them will be assigned a rate code or be priced differently. The right approach to yielding segments can and will vary by property, but traditional segmenting starts with:

- | **Group vs. Transient**
- | **Business vs. Leisure**
- | **Weekday vs. Weekend, Length of Stay**
- | **By price: Dynamic (transient) vs. Fixed**
(wholesale, corporate negotiated rates)
- | **By channel: GDS, OTA, Brand.com, CRS, Voice, Mobile**

Starting near the top and determining your mix of business versus leisure guests will give you tremendous insight and allow you to properly set rates for each of those segments. But that's just the beginning. There are hundreds of other ways to break down your guests further within those buckets, such as what kind of rates they booked – BAR rate, promotional rate or discounted rate.

In most cases, these more granular segments are grouped together into larger buckets for processing and reporting purposes, sometimes called market segments. For example, the property's website and call center usually are joined with the OTA channel to form what's commonly called the "transient segment." These could be yielded together as a larger group because, at some hotels, these prices might be set to the same publicly listed BAR rate.

Market segments allow a hotel to group smaller segments that behave similarly together, and allows a hotel to tailor its segmenting data to fit the needs of the different hotel departments for reporting and forecasting.

people coming from OTA sites, including both package and opaque? Or those coming from a hotel's website and its call center? Ultimately, the more a property can diversify its sources of guest bookings, the better it can segment its clientele and offer compelling value to individual guests or groups.

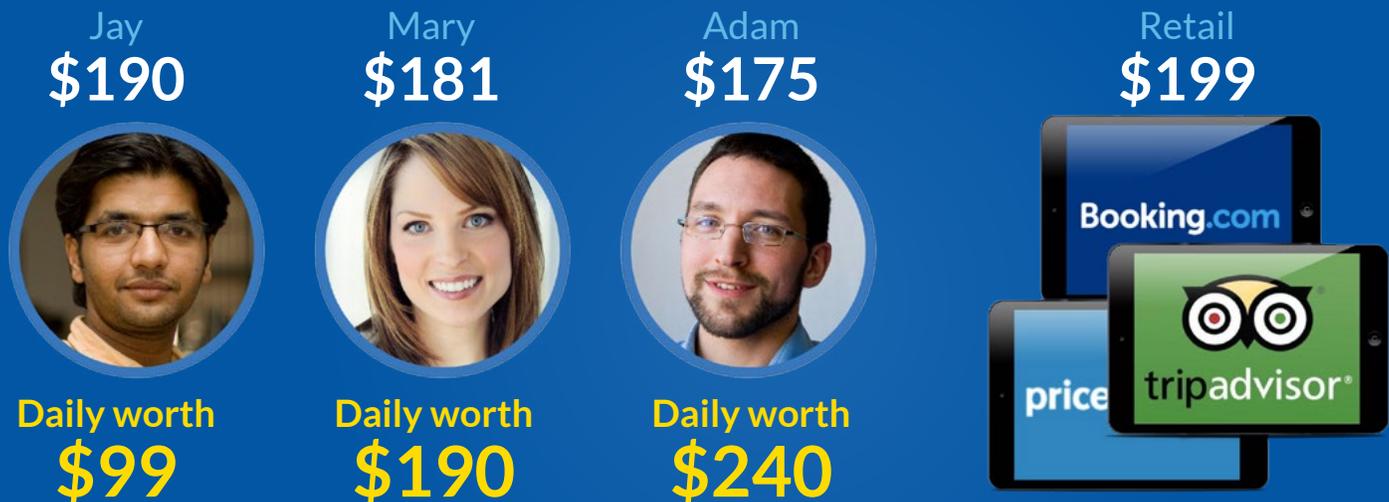
It's important to think about two things in particular when grouping channels to create segments. First, do customers pay a similar price when booking through the collection of channels? Second, do they tend to book at around the same

time in the booking window? It's important to consider the booking curve, because if a hotel combines channels that are booked very early with ones that tend to be booked very late, then it will be difficult to find a forecast for the segment that fits both behavior patterns.

For example, customers shopping opaque OTAs may shop well in advance and be more price-conscious than those booking directly. Segmenting those potential guests separately is the first step to yielding them independently of other guests who might spend more.

One thing is for sure: As rate-parity restrictions loosen around the world and hoteliers consider varying their publicly available rates according to distribution channel, having an RMS that can resegment your business by channel will be critical.

Segment by Total Guest Value



While the casino industry has adopted best practices for understanding guest value, it is fair to say the hotel industry lags behind.

But in the near future, with the right tools, hotel revenue managers will have access to data that will help them determine how valuable each and every guest is to the hotel's bottom line and then tailor rates and offers specifically to that individual.

When an RMS is integrated with a system that can provide customer worth data, such as a

data warehouse or a customer relationship management system, hoteliers can begin determining and applying worth to their most loyal customers. By integrating a loyalty program, hotels can begin offering personalized, one-to-one offers based on a guest's individual value to the hotel.

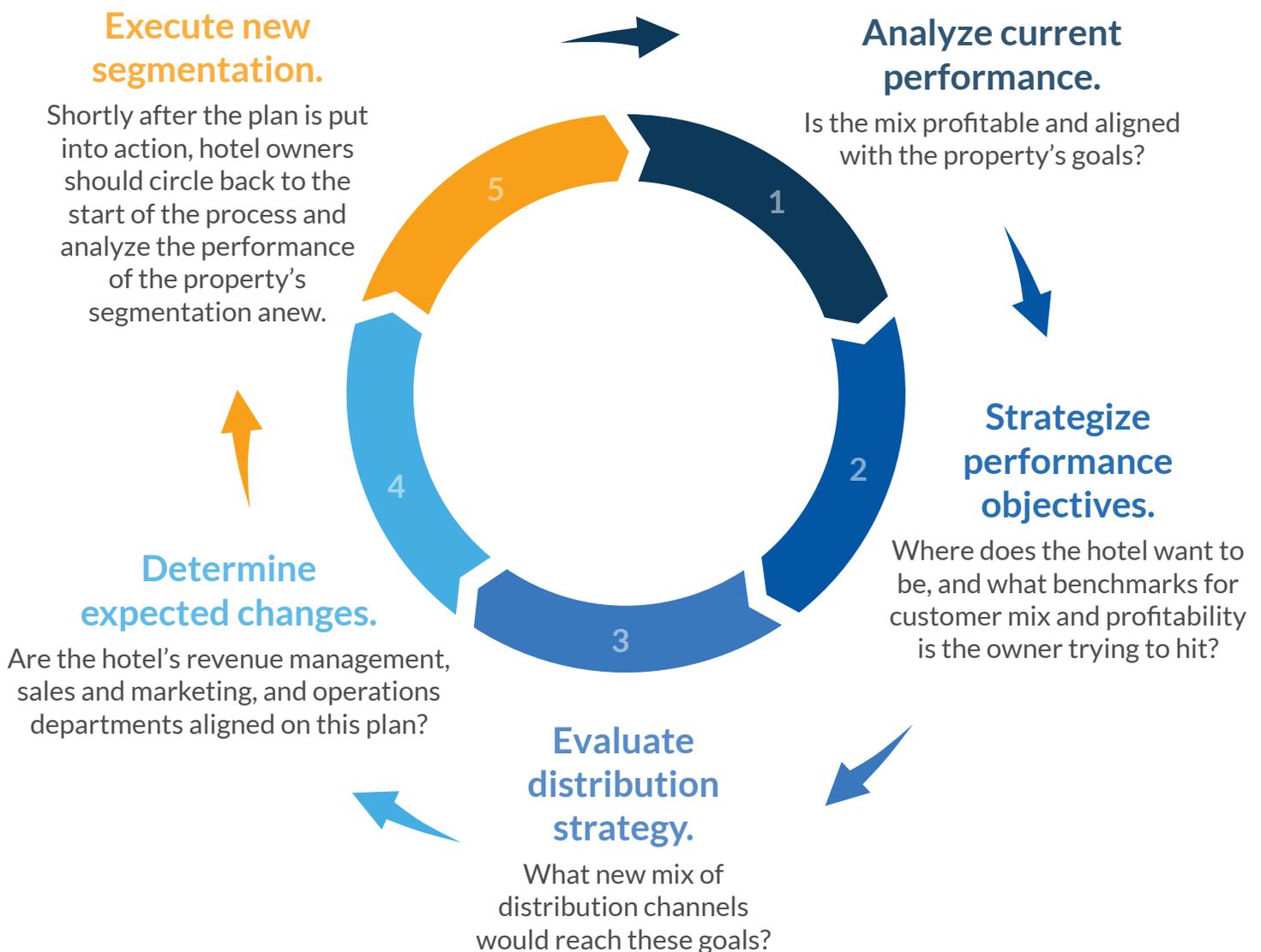
Like the casino industry, the next step will be for hoteliers to begin calculating reinvestment, or the percentage of customers' worth that you are willing to give back to them as an incentive to book.

Keep Your Segmenting Strategy Fresh

Prior to the availability of an automated RMS, hoteliers were forced to get their segmentation right from the beginning and were reluctant to alter it later. It often took an army of people to manage the process, including communicating with the property management system. Now,

however, automation has allowed revenue managers to resegment with ease. Perhaps one segment of business—a particular booking channel, for example—is not providing the value you expected. Simply turn that segment off and resegment the business instantly.

As revenue managers get familiar with the key segmentation considerations, they can continually work through the cycle for optimizing their customer mix. The cycle is as follows:



Conclusion



Hotels stuck in the old ways of segmentation are used to seeing data one way. That's how they run the property, from the front desk to revenue management to finance, all the way up to ownership. But greater flexibility allows for better yielding, forecasting and management of the property for different departments.

Segmenting your business is not just about pricing for profitability. Sorting your business into buckets gives you a much clearer vision of who's booking your hotel and for what purposes. This helps everyone from the sales and marketing teams to the owners, brand and asset managers.

When you mix in the capabilities of an automated RMS, you can go beyond market segments and enter a vast secondary dimension of yielding segments. Now you can take advantage of all the segmenting work you've done to begin pricing each of these segments differently. By observing separate pace, pickup and web shopping data for each of the segments, it becomes much easier to price them independently to maximize profitability.

About Duetto

With solutions that address the true challenge of today's distribution landscape, Duetto provides unique and powerful Revenue Strategy tools to optimize profit and guest loyalty. Duetto delivers powerful insights on pricing and demand to hotels and casinos through a 100% cloud-based application.

Utilizing new consumer-centric data sets such as web shopping regrets and denials, social reviews, air traffic, weather and more, Duetto GameChanger transforms the way hotels and casinos price and sell rooms by providing better and more actionable information. Make informed distribution choices and independently yield all channels, dates and room types with Open Pricing to drive healthy revenue and optimize profitability.

Thanks to modern cloud architecture, new features and upgrades are delivered seamlessly with zero system downtime. This rapid innovation enables Duetto to provide an industry-leading user interface and experience that's continually improving.

Working with and for the hospitality industry, Duetto is changing the game.

